馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited
MA STEEL

(在中華人民共和國註冊成立之股份有限公司)

(股票代號：00323)

獨立董事委員會函件

敬啟者：

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謹啟

2025年5月20日

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謹啟

2025年5月20日

MESSIS 大有融資

20 May 2025

Dear Sirs and Madams

MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO
THE EQUITY TRANSFER AGREEMENT
AND CAPITAL INCREASE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Maanshan Iron & Steel Company Limited (the "**Company**") in relation to the major and connected transaction ("**Transactions**") contemplated under Equity Transfer Agreement and Capital Increase Agreement (the "**Agreements**"). Details of the Transactions and Agreements are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company to the shareholders dated 20 May 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 17 April 2025, the Company entered into the Equity Transfer Agreement with Baosteel and the Target Company, pursuant to which the Company has agreed to transfer the Target Equity Interest held by theCompany to Baosteel, and Baosteel has agreed to acquire the Target Equity Interest at a consideration of RMB5.139 billion.

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion in theTarget Company, of which RMB266 million is used as the newly increased registered capital of the Target Company, and RMB3.595 billion is used as the capital reserve of the Target Company.

大有融資有限公司 MESSIS CAPITAL LIMITED
電話 Tel : (852) 2525 3103傳真 Fax: (852) 2525 9980
香港灣仔軒尼詩道303號協成行灣仔中心13樓1303室 Room 1303, 13/F, OfficePlus @Wan Chai,, No.303 Hennessy Road,, Wan Chai, Hong Kong

As set out in the Board Letter, as of the date of this circular, the Target Company was a wholly-owned subsidiary of the Company, and China Baowu is the controlling Shareholder of the Company, indirectly holding a total of approximately 53.00% of the Company's shares. China Baowu directly and indirectly holds approximately 63.10% of the shares in Baosteel. Under the definition of the Listing Rules, Baosteelis a subsidiary of China Baowu and a connected person of the Company. Accordingly, the Equity Transferand the Capital Increase constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Equity Transfer and the Capital Increase, the Company's equity interest in the Target Company will be diluted from 100% to 51%. As such, both the Equity Transfer and the CapitalIncrease will constitute a deemed Transactions under Chapter 14 of the Listing Rules. Given that both theEquity Transfer Agreement and the Capital Increase Agreement are entered into within a 12-month periodand are inter-conditional, the transactions contemplated thereunder shall be aggregated and treated as a single transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as aggregated) in respect of the transactions contemplated under the Equity Transfer Agreement and the Capital Increase Agreement (namely, the Equity Transfer and the Capital Increase) exceeds 25%, the Equity Transfer and the Capital Increase constitute major transactions of the Company under Chapter 14 of the Listing Rules. Accordingly, the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) are subject to the requirements of reporting, announcement,circular (including independent financial advice) and the approval of Independent Shareholders under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr.Guan Bingchun, Mr. He Anrui, Mr. Qiu Shengtao and Mrs. Zeng Xiangfei, has been established to makea recommendation to the Independent Shareholders in relation to the Agreements. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices in respect of the Capitalisation.

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the "**Management**") for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date andup to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this circular were reasonably made after due enquiryand careful consideration. We have no reason to suspect that any material facts or information have beenwithheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors,which have been provided to us. We have also relied on certain information available to the public andhave assumed such information to be accurate and reliable and there are no reasons to doubt the accuracyand reliability of such public information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at afterdue and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

We consider that we have reviewed all information and documents which are made available to usto enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Groupor the Target Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Transactions, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Company is one of the PRC's largest steel producers and distributors, principally engaged inthe manufacturing and sales of steel products.

Set out below is a summary of the audited consolidated financial information of the Group for the year ended 31 December 2022 ("**FY 22**"), 2023 ("**FY 23**") and 2024 ("**FY 24**") as extracted from the annual report of the Group for the year ended 31 December 2023 and the annual report of the Group for the year ended 31 December 2024, respectively.

	For the year ended 31 December *Renminbi Yuan*		
	2024	**2023**	**2022**
Revenue	81,816,891,739	98,937,969,364	102,153,602,375
– Principal operating income	79,365,028,160	96,403,138,119	99,020,437,614
– Other operating income	2,451,863,579	2,534,831,245	3,133,164,76 1
Cost of sale	(82,591,668,039)	(97,308,142,081)	(98,846,467,731)
Gross profit/(loss)	(774,776,300)	1,629,827,283	3,307,134,644
Selling expenses	(303,636,480)	(341,240,952)	(295,129,468)
General and administrative expenses	(872,041,999)	(933,378,645)	(1,263,771,737)
R&D expenses	(1,103,101,885)	(1,231,049,205)	(1,167,297,776)
Other income	512,641,397	714,197,840	172,641,171
Investment income	8,405,954	308,185,072	814,285,702
(Loss)/gain from Transactions of assets	(270,368,636)	93,861,158	440,339,732
Operating loss	(4,721,510,347)	(1,593,781,357)	(483,950,030)
Loss before tax	(4,829,857,723)	(1,596,659,516)	(560,617,244)
Net loss attributable to owners of the parent in year	(4,659,156,254)	(1,327,161,500)	(857,615,094)

The Group recorded a revenue of approximately RMB81,817 million for FY 24, representing a decrease of approximately 17.30% from the revenue of RMB98,938 million as generated for FY 23, which was mainly due to the decrease in revenue from steel plates and long products during the same period. The Group turned from a gross profit approximately RMB1,630 million for FY 23 to a gross loss of approximately RMB775 million for FY 24, which was primarily due to thedecrease in gross margin from sales of steel plates and long products by approximately 2% and 3.04%, respectively. The net loss attributable to shareholders of the Company was approximately RMB4,659 million for FY 24, representing an increase of 251.06% in loss from that of FY 23.

From FY 22 to FY 23, the Group's revenue decreased from approximately RMB102,154 million to approximately RMB98,938 million, representing a decrease of approximately 3.15%, with the gross profit decreased from approximately RMB3,307 million to approximately RMB1,630 million, which was mainly due to the decrease in revenue from sale of long products and decreaseof gross margin from sale of long products and sale of wheel and axles by approximately 4.36%and 0.98%, respectively. The net loss attributable to shareholders of the Company was recorded as approximately RMB1,327 million for FY 23, representing an increase of approximately 54.64% from FY 22.

	As of 31 December	
	2024	**2023**
	Renminbi Yuan	
Current assets	19,472,010,226	22,041,620,102
Non-current assets	59,490,963,387	62,510,632,833
Total assets	78,962,973,613	84,552,252,935
Current liabilities	44,845,617,126	44,054,616,027
Non-current liabilities	6,796,304,286	8,218,095,557
Total liabilities	51,641,921,412	52,272,711,584
Net assets	27,321,052,201	32,279,541,351
Cash and bank balances	**6,434,105,447**	**5,569,797,722**

As at 31 December 2024, the Group's total assets amounted to RMB78,963 million, representing a decrease of 6.61% from the total assets of RMB84,552 million as of 31 December 2023, which was primarily due to (i) the decrease in construction in progress from approximately RMB4,014 millionto approximately RMB795 million under non-current assets; and (ii) the decrease in inventory from approximately RMB9,918 million to approximately RMB7,909 million under current assets during the same period.

The cash position of the Group increased from approximately RMB5,570 million as of 31 December 2023 to approximately RMB6,434 million as of 31 December 2024.

2. Information of Baosteel

With reference to the Board Letter, Baosteel is principally engaged in iron and steel industry, trading, shipping, coal chemical industry and information services. Baosteel is ultimately beneficially owned by China Baowu.

3. Information of the Target Company

With reference to the Board Letter, the Target Company is principally engaged in steel manufacturing which specifically includes steel and iron smelting; steel rolling and processing; coking; production and sales of steel products such as high-quality special steel, plate and strip products and others; and production and sales of other steel products and wheel and axle products.The Target Company is a wholly-owned subsidiary of the Company as at the date of this circular.

As set out in the Board Letter, the Target Company was incorporated on 23 December 2024 in the PRC and has no operation between 23 December 2024 and 28 February 2025. The Target Company recorded audited total assets of approximately RMB53.90 billion and net assets book value of approximately RMB10.077 billion as at 28 February 2025.

Taking into consideration the above, including reviewing the Extract of Valuation Report and the underlying valuation methodology and assumptions, the Board considered that the Transfer Consideration is fair and reasonable and in the interest of the Company and Shareholder as a whole.

4. Reasons for and benefits of the Transactions

As stated in the Board Letter, the Transactions enable the Target Company to leverage on Baosteel's nationwide and worldwide marketing and processing service network, technological leadership, talent resources and synergistic expertise to achieve a viable and sustainable development, and further to improve its competitiveness in the market, which is in line with the Group's long-term high-quality development.

We have conducted our independent research and reviewed the report dated 21 January 2025 on the website of China Iron and Steel Association regarding the developments and challenges of theiron & steel industry in China to get a better understanding of the iron & steel industry status in thecurrent social and economic environmental circumstances and the reasons for the Transactions as disclosed in the Board Letter.

According to the report, the traditional iron & steel industry is under pressure by "reduced development and stock optimisation". During the 2024, the price of fuels soared, the iron & steelindustry faced challenges of "high production, high costs, high exports, low demand, low prices and low efficiency" situation. Overall, the degree of reduction in steel consumption is significantlygreater than degree of decline in production, and thus, the market has stronger supply than demand.

Also, the structural adjustment of iron & steel products is still on-going. The iron & steel manufacturing companies are strongly encouraged to transform and adopt the green and low-carbon technology innovations for long-term sustainable development.

We have reviewed the annual report of the Company for the year ended 31 December 2024 and noted that the Company has been persisting in reform and innovation for deepening its business integration and synergy. The Company has put emphasis on extending, deepening and specializing the steel industry chain to establish a robust "R&D-production-sales". Further, we noted that the Company has accelerated the transformation of its products to become more environmentally friendly and focused on enhancing the competitiveness of its special steel products. The Company, as a major market participant in the iron & steel industry, has strong awareness for green developmentand its social responsibilities.

The Board Letter also stated that Baosteel demonstrates high synergies with Target Company, in terms of both products and geographical coverage. We have discussed with the Management regarding the major attraction to collaborate with Baosteel. Besides the government policy support,it is noted that the Company has strived to expand its market shares, customers base, as well as improve the quality of products in low-carbon production via green technology. We are of the view that the participation by Baosteel into the business of the Target Company will facilitate the structural adjustments of the efficient and environmentally friendly production for the Target Company, which aligns with the Company's sustainable development and awareness of social responsibilities, given (i) Baosteel has advanced technology such as hydrogen metallurgy and high-end automotive panels and capital resources for the manufacturing of steel products, especially in increasing the utilisation of Baosteel's systemic advantages, market influence, technological leadership to improve standard of iron & steel products; (ii) the Target Company and Baosteel can integrate production capacity and supply chain to improve cost-efficiency.

According to the Board Letter, the Company also wishes to improve its capital structure by applying certain percentage of proceeds from the Transactions to repay the loans which will be due in nearfuture and enhance the equity base. We are of the view that such capital structure enhancement is reasonable given the Group can reduce debt burdens and enhance equity base so as to obtain highercredit ranking if it has need for loan facility from banks.

It is noted that the strategic partnership facilitates technology transfers and supply chain synergiesthat drive cost efficiencies, while the strengthened balance sheet improves creditworthiness to secure favorable financing for long-term projects. It is further noted that part of the proceeds willbe applied to the Company and the Target Company for new project construction (including green production upgrades and high-value product development), strengthening core productivity and functions, development of upstream and downstream of the industrial chain, among others. As such,this partnership contributes to financial stability and enhanced competitive positioning for businessexpansion.

In light of above, we considered that although the Transactions are not in the ordinary and usualcourse of business of the Group, it is in the interests of the Company and the Shareholders as awhole.

5. Principal terms of the Transactions

(i) Equity Transfer Agreement

Set out below are the principal terms and conditions of the Equity Transfer Agreement as extracted from the Board Letter.

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

Subject Matter

The Company agreed to transfer the Target Equity Interest held by the Company to Baosteel, and Baosteel agreed to acquire the Target Equity Interest at a consideration of RMB5.139 billion.

Consideration

The Transfer Consideration for the Target Equity Interest is RMB5.139 billion, which is determined by the Company and Baosteel with reference to (i) the net asset value of the Target Company (RMB14.506 billion) as assessed by the Independent Valuer multiplythe proportion of equity interest (35.42%) to be transferred as RMB5.139 billion on the Valuation Reference Date according to the Valuation Report; and (ii) appropriate rounding adjustments, after arm's length negotiation. The above Transfer Consideration is ultimately determined on the basis of the appraised value of the net assets of the Target Company.

Based on the asset-based approach, as at the Valuation Reference Date, under the premise that all assumptions hold true, the total assets of Target Company had a carrying value of RMB53,897.7743 million with an assessed value of RMB58,131.7820 million, reflecting an appreciation of RMB4,234.0077 million and an appreciation rate of 7.86%. The total liabilities had a carrying value of RMB43,820.377 million with an assessed value of RMB43,625.6758 million, reflecting a devaluation of RMB194.7012 million and a devaluation rate of 0.44%. The total equity value of shareholders had a carrying value of RMB10,077.3973 million with an assessed value of RMB14,506.1062 million, representing an appreciation of RMB4,428.7089 million, and the appreciation rate is 43.95%.

Conditions Precedent

Save as the relevant applicable law and listing rules, there is no pre-condition for Baosteel, the Company and the Target Company to enter into the Capital Increase Agreement and the Equity Transfer Agreement, which are aggregated and treated as a single transaction.

Payment Terms

Within 10 business days after the satisfaction (or written waiver by Baosteel) of the relevant preconditions for payment under the Equity Transfer Agreement, Baosteel shall pay 50% of the Transfer Consideration (the "**First Equity Interest Transfer Payment**"). Subject to the satisfaction of the remaining preconditions for payment, or mutual confirmation that such payment will not materially and adversely affect the Target Company's productionand operation under the Equity Transfer Agreement, and in any event no later than 180 days after the completion of the First Equity Interest Transfer Payment, Baosteel shall pay the remaining 50% of the Transfer Consideration (the "**Second Equity Interest Transfer Payment**"). If the Completion Date is before 30 June 2025, the Second Equity Interest Transfer Payment shall be paid no later than 31 December 2025.

Baosteel shall pay the entire Transfer Consideration in its own funds, to the bank account designated by the Company.

Effectiveness of the Equity Transfer Agreement:

The Equity Transfer Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by Shareholders at General Meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Equity Transfer Agreement.

Arrangements during the Transition Period

Changes in assets during the Transition Period shall be enjoyed or borne by the original shareholder through a special dividend distribution, the mechanism of which will be, duringthe Transition Period, any increase in the Target Company's net assets from profits will bedistributed as a special dividend to the Company proportional to such increase. Conversely, any decrease in net assets from losses will reduce the Company's special dividend on dollar- for-dollar basis from the distributable profits (if any) of the Target Company. In any event, there will be no adjustments to the Transfer Consideration.

We have reviewed the executed version of the Equity Transfer Agreement and are of the view that the principal terms have fulfilled the key elements of normal commercial contract, which includes but not limited to, the consideration and its basis, the intention for the transactions, the parties' rights and obligations during the contract performance period (including but notlimited to the stipulated conditions for payment for each instalments). We considered that the principal terms of the Equity Transfer Agreement including the arrangement for the special dividend distribution is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Capital Increase Agreement

Set out below are the principal terms and conditions of the Capital Increase Agreement as extracted from the Board Letter.

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

Subject Matter

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion in the Target Company, of which RMB266 million as the newly increased registered capital of the Target Company, and RMB3.595 billion as the capital reserve of the Target Company.

Change in Shareholding Structure

The amount of Capital Injection has been determined based on the appraised value of the Target Company in the Valuation Report issued by an independent third party, to ensure fair transaction pricing. In addition, according to the Extract of Valuation Report, the valueof the Target Company on the Valuation Reference Date was assessed to be RMB14.506 billion according to the asset-based approach, and the original registered capital was RMB1billion. The corresponding value of each registered capital is RMB14.506, and the total capital increase of Baosteel is RMB3.861 billion. The total capital increase is divided by thevalue of each registered capital, and the registered capital corresponding to Baosteel's capital increase should be RMB266 million.

It is noted that RMB266 million would be used by the Target Company to increase its registered capital to RMB1.266 billion, whereas RMB3.595 billion is used as capital reserve, specifically as share premium, 50% of the capital contribution will be used for new projectconstruction (including green production upgrades and high-value product development), and the rest will be used for daily production and operations.

On the Completion Date of the Equity Transfer Agreement, the Company transferred its 35.42% equity of the Target Company (before equity dilution) to Baosteel in accordance with the Equity Transfer Agreement. On the same day, Baosteel shall simultaneously increase thecapital of the Target Company with RMB3.861 billion, of which RMB266 million would be used as new registered capital, aiming to increase the registered capital of the Target Company to RMB1.266 billion. Baosteel will hold about 21% of the equity of the Target Company (being the new registered capital of RMB266 million divided by the new total registered capital of RMB1.266 billion), plus about 28% after the completion of the EquityTransfer (being the share of this equity transfer of 35.42% multiplied by the original total registered capital of RMB1 billion divided by the new total registered capital of RMB1.266billion), and finally achieve 49% equity ratio.

Payment Terms

With reference to the assessed net asset value of the Target Company as set out in the Valuation Report, Baosteel shall conduct a simultaneous capital increase into the Target Company on the Completion Date of the Equity Transfer Agreement. The aforementioned capital increase shall be subscribed by Baosteel in cash, with a total subscription amount of RMB3.861 billion, payable in full within 180 days after the effective date of the CapitalIncrease Agreement. If the effective date of the Capital Increase Agreement is 18 June 2025 (being the date of the upcoming General Meeting), then the Completion Date of the Equity Transfer Agreement occurs before 30 June 2025 and the latest payment deadline shall be nolater than 31 December 2025.

Effectiveness of the Capital Increase Agreement:

The Capital Increase Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by Shareholders at General Meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Capital Increase Agreement.

We have reviewed the calculation workings for the shareholding structure upon the completion of the Transactions. Given there is a mutual consent between the Company and Baosteel to use RMB266 million for the increased registered capital purpose and the remaining amount of RMB3.595 billion for the capital reserve, it is fair and reasonable to calculate the shareholdings of the Baosteel in the Target Company based on the updated total registered capital of RMB1.266 billion of the Target Company considering both the increase in shareholdings by Baosteel from transaction contemplated under Equity Transfer Agreement and the Capital Increase Agreement. We noted that the extent of amount of capital injected into registered capital or capital reserve is allowed under PRC accounting standard and applicable laws. We are of the view that the Baosteel shareholdings of approximately 49% in the Target Company upon the completion of the Transactions is fair and reasonable.We also considered that the capital contribution to be used for investment and constructionof new projects, as well as for daily production and operation of the Target Company willultimately benefit the Company.

As such, the Company will hold approximately 51% equity interests of the Target Company upon the completion of Transactions, which enables itself to retain the controlling shareholder position and the veto right to assign the directors in the board seat to represent it for material business and corporate governance decisions of the Target Company. Takinginto account of the benefits to enter into the Transactions as set out under section headed “4. Reasons for and benefits of the Transactions”, we are of the view that such retaining controlling interest in the Target Company is in line with the Company business strategy forits group business optimization and is in the interests of the Company and its Shareholders asa whole.

We have reviewed the Agreements and are of the view that the Agreements are in normalcommercial terms including the Transfer Consideration of the Target Company which was based on the valuation and the arrangement during the transition period.

6. Evaluation of the consideration

With reference to the Board Letter, the consideration was determined after arm's length negotiations between the Company and Baosteel with reference to the appraised asset value of the entire equity interest in Target Company as at the Valuation Reference Date as appraised by the Independent Valuer.

According to the Valuation Report, the appraised value of Target Company's entire equity interest as at the Valuation Reference Date amounted to RMB14.506 billion. Based on the aforesaid valuation conclusion, the Company and Baosteel agreed that the consideration of the Target Equity Interest shall be RMB5.139 billion, being approximately 35.42% of the appraised asset value of the entireequity interest in Target Company as at the Valuation Reference Date. In preparing the ValuationReport, the Independent Valuer selected the asset-based approach to conclude the Valuation.

For due diligence purpose, we have reviewed the Valuation Report prepared by the Independent Valuer and have discussed with the Independent Valuer regarding the valuation of the Target Company with details set out below. We have reviewed the valuation input adopted by the valuer,the calculation workings as provided by the valuer, and the reasons for the differences between thebook and appraised values.

(a) Scope of work and qualifications of the Independent Valuer

The Independent Valuer was engaged to prepare the Valuation Report which sets out independent valuations on the value of 100% equity interest in Target Company as at the Valuation Reference Date. The Valuation Report has been prepared in compliance with the relevant professional standards issued by China Appraisal Society. We have discussed the expertise of the Independent Valuer with its relevant staff members. We understand that the Independent Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and has over 10 years' industry experience in conducting valuation exercises. We have also reviewed the terms of the Independent Valuer's engagement letter and noted that the purpose of the Valuation is to provide an opinion of value of Target Company. The Independent Valuer's engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

In the course of our review, we have discussed with the Independent Valuer the methodologies, bases and assumptions adopted in the Valuation Report, further details are set out below.

(b) Valuation methodologies

As mentioned above, the Valuation was concluded based on the asset-based approach. We noted from the Valuation Report that the Valuation Report was prepared by the IndependentValuer in accordance with various requirements/standards, including《中華人民共和國資產評估法》(Asset Appraisal Law of the PRC*), Law of the PRC on State-owned Assets of Enterprises《中華人民共和國企業國有資產法》as passed by the National People's Congress of the PRC and other relevant valuation standards published by the PRC government. Based on our discussion with the Independent Valuer, we understand that the Independent Valuer has considered these three commonly used valuation approaches for valuation of a company, namely the asset-based approach, the market approach and the income approach, and adoptedthe asset-based approach for the reasons below:

(i) the income approach determines value by capitalizing or discounting the expected earnings of the subject asset. However, the steel industry is currently experiencing sustained declines in profitability due to macroeconomic volatility, slow demand recovery, and intensifying supply-demand imbalances. Since the income approach relies on long term, stable cash flow projections, factors such as the industry's long investment cycles, macroeconomic policies, industry trends, and the efficient utilization of assets may lead to deviations in the valuation results. Therefore, the income approach is not the most appropriate method;

(ii) the market approach determines the value of the subject asset by comparing it with comparable references and basing the valuation on their market prices. However, dueto the scarcity of comparable transactions with a combination of similar asset scale, product structure, and competitive dynamics as the Target Equity Interest, the marketapproach is not the most appropriate method; and

(iii) the asset-based approach determines the current value of the subject asset by a combination of calculating the full cost required to replace or reconstruct it in its entirety under realistic conditions, adjusted for depreciation and obsolescence. Since asset-based approach reflects the replacement value of the Target Company's assets asof the Valuation Reference Date, and given that acquisition and construction costs are relatively stable. Therefore, the asset-based approach is deemed the most appropriate valuation method.

Given the (i) uncertainty of the geopolitical tensions and unstable macroeconomic environment; (ii) the iron & steel industry is under pressure for sound development and under challenge for structural adjustment according to the report as mentioned under section headed "4. Reasons for and benefits of the Transactions"; and (iii) the inventory of the iron& steel products are able to be retained for a long period, we concurred with the view of the Independent Valuer that the income approach is not an appropriate method for the Valuation as of the Valuation Reference Date.

We noted that the Independent Valuer did not adopt the market approach on the basis of the scarcity of comparable transactions with a combination of similar asset scale, product structure, and competitive dynamics as the Target Equity Interest. We have discussed with the Independent Valuer and understood that their focus was on the comparable transaction.

For our due diligence purpose, we have tried to identify comparable companies listed on the Main Board of the Stock Exchange with similar principal businesses as the Company and the Target Company (i.e. manufacturing and sales of steel products in the PRC). Based on the above selection criteria, we have identified four comparable companies which will be discussed below for a cross-reference purpose.

Having considered (i) that the Valuation Report was prepared by the Independent Valuer in accordance with various requirements/standards; (ii) that the Independent Valuer had also considered market approach and income approach during the course of the Valuation before concluding the Valuation with the asset-based approach; and (iii) the aforesaid reasons for not adopting the market approach and income approach, we concur with the Independent Valuer on the adoption of asset-based approach to conclude the valuation.

(c) Valuation assumptions

The valuation is subject to certain assumptions, including but not limited to: (i) the Target Equity Interest is assumed to be in a transaction process, and the Independent Valuer has estimated its value by simulating market conditions; (ii) the Target Equity Interest, whetheralready on the market or intended to be transacted, is presumed to be traded between partiesof equal standing, with both sides having sufficient access to market information and time, and acting voluntarily and rationally to assess the Target Equity Interest's functionality, utility, and transaction price before making informed judgments; (iii) the Target Equity Interest will continue to be used in its current manner and for its existing purpose; and (iv)no other material changes in factors or circumstances are anticipated.

We have reviewed the Valuation Report and discussed with the Independent Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Independent Valuer that the assumptions are commonly adopted in other valuationsof similar assets and there is no unusual assumption which has been adopted during the Valuation. We also consider the assumptions adopted in the Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Independent Valuer.

(d) Details of valuation

In arriving at the Valuation, the Independent Valuer categorised the assets and liabilities ofTarget Company into different categories. Based on the Valuation Report and our discussionwith the Independent Valuer, in determining the valuation of the assets and liabilities of Target Company, the Independent Valuer has considered the applicable valuation methodologies taking into account the nature of the subject assets/liabilities in accordance with the relevant valuation requirements/standards, which set out, among others, the requirements, key steps and methodologies in the valuation of tangible assets, intangible assets and real estates.

As confirmed by the Independent Valuer, the appraisal methodologies of assets and liabilities are consistent with normal market practice. We have also reviewed the Valuation Report and enquired with the Independent Valuer the details of asset-based approach valuation, including the basis of appraising different categories of assets and liabilities and the reasonsfor difference between the book value and appraised value.

During our discussion with the Independent Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases andassumptions adopted for the asset-based approach valuation. The appraisals of the assets and liabilities of Target Company are summarised below:

The Independent Valuer has categorized the assets belonging to current assets, long-term equity investments, investment properties, buildings, fixed assets of equipment, construction in progress, right-of-use assets, land use rights and other intangible assets-software copyrights, respectively.

(i) *Current assets*

We have reviewed the valuation methods of current assets and noted that the Independent Valuer arrived at the value of different sub-category of current assets according to their nature, function to the business of the Group, the relevant verification work and the general valuation practice. For instance, we understood from the Independent Valuer that the fair value of the account receivables and otherreceivables depends on the likelihood of such balances to be recovered by Target Company and the amount that is expected to be recovered.

As for inventories, an cost approach was adopted for the inventory turnover materials. The valuation of finished goods in stock took into account of the sales profit and relevant market conditions.

(ii) *Long-term Equity Investments*

We noted that the Independent Valuer use the similar rationale to calculate the long-term equity investments based on the percentage of share interest in the investee and the total equity value of the investee, which is fair and reasonable.

(iii) *Investment Properties and Buildings*

After assessing the nature and characteristics of the investment properties and buildings, considering lack of data availability, the valuation for investment properties and buildings both adopted the cost approach. We have enquired the Independent Valuer and was confirmed that it is normal valuation practice based on similar situations.

(iv) *Fixed Assets of Equipment*

The Independent Valuer adopted the replacement cost method in assessing the appraised value of machinery and equipment, transportation vehicles, electronic equipment and adopted the comparable market prices for equipment with active secondary market transactions.

Upon our enquiry, the Independent Valuer advised us that the adoption of replacement cost method could estimate the cost to replace/construct such relevant fixed assets with similar utility which usually have no active or liquid market and is consistent with normal market practice.

As the fixed assets which were valued by replacement cost method include machinery and equipment, transportation vehicles, electronic equipment which have been usedby Target Company for certain period of time and did not have active second hand market transactions, we concurred with the view of the Independent Valuer that the replacement cost method could estimate the cost to replace/construct the relevant assetswith similar utility. Having considered the above, in particular that (i) the adoption of replacement cost method is consistent with normal market practice; and (ii) the assets were appraised based on individual conditions such as the replacement cost if there were no active second-hand market transactions, we consider the appraisal methodologies of the fixed assets to be fair and reasonable.

(v) Construction in Progress

We noted that the cost approach was adopted for the valuation of construction in progress based on different project types (including civil engineering & equipment installation and deferred investment) and specific circumstances. We considered that valuation based on the specific nature of the project is fair and reasonable.

(vi) Right-of-use Assets

We considered it is fair and reasonable to assess the right-of-use assets based on recognised accounting standards.

(vii) Land Use Rights

We noted that the Independent Valuer justified various commonly adopted valuation approaches to arrive the estimated value of land use rights to different nature of land. We considered it is fair and reasonable to take into all the circumstances suchas changes in land prices in recent years, urbanization, enhanced infrastructure and supporting facilities into account before concluding the valuation.

(viii) Other Intangible Rights

The other intangible assets included in the valuation scope consist of production capacity indicators, technology-related intangible assets, and software copyrights.

We noted that the Independent Valuer justified various commonly adopted valuation approaches to arrive the valuation of other intangible rights based on the nature. We considered it is fair and reasonable to take into all the circumstances into account before concluding the valuation.

(ix) Liabilities

The liabilities' carrying value was assessed mainly based on the book amount of the debts, which is fair and reasonable.

Having considered that (i) the asset-based approach valuation was performed by the Independent Valuer in accordance with various requirements/standards; (ii) the Independent Valuer has considered the applicable valuation methodologies taking into account the natureof the subject assets/liabilities; and (iii) the appraisal methodologies of assets and liabilities are consistent with normal market practice, we consider that the valuation methodologies adopted by the Independent Valuer in assessing Target Company's assets and liabilities are fair and reasonable.

(e) Conclusion for valuation bases and assumptions

Having discussed with the Independent Valuer and reviewed with them the reasons for adopting the various valuation methodologies, the bases and assumptions used for the Valuation and the valuation result, we are of the view that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Valuation Reference Date are in line with the industry practice. In assessing the fairness of the Transfer Consideration, we considered it is appropriate to refer to the independent valuation conducted by the Independent Valuer in respect of the appraised value of Target Company.

(f) Valuation Results by items

We have noted that there are differences between the carrying value and assessed value ofthe asset items and liabilities items from the Valuation Report.

We reviewed the reasons as provided by the Independent Valuer for the difference by item if there are material differences:

Assets Items:

(i) as for current assets, it was mentioned that the appreciation of current assets was mainly due to the consideration of the profit generated by inventory sales. We considered it is fair and reasonable to consider the potential economic benefit tobe generated by the inventory sales given this will better reflect the value of the inventory;

(ii) as for the long-term equity investment, it was mentioned that the primary reason forthe appreciation was due to fact that original investment cost of the subsidiary was based on the carrying value on the Valuation Reference Date, while the appraisal value was the valuation of the subsidiary based on the asset-based method on the Valuation Reference Date, resulting in the appreciation. We considered it is reasonable that thevaluation of long-term equity investment in a company based on asset-based method instead of carrying value is adopted as it is likely to gain higher premium than the original investment costs;

(iii) as for the investment properties, it was mentioned that the appreciation was due to the fact that the house was mainly built in 2009, and the increase in building materials prices and labor costs up to the Valuation Reference Date. We are of the view that given inflation factor, what as disclosed is reasonable;

(iv) it was noted that the impairment of fixed assets was mainly due to the appraised economic life of some equipment and structures being shorter than the accounting depreciation life of the enterprise, and the replacement price of some equipment beinglower than the carrying value of the equipment. We considered that such adjustment isfair and reasonable taking into account of the practical residue value of the fix assetsinstead of their carrying values;

(v) we noted that there is impairment of construction in progress which is primarily due to the completed and converted projects being evaluated in the corresponding fixed assets this time, resulting in the impairment. We considered that it is reasonable to consider the current status of construction in progress; and

(vi) it was provided that the appreciation of intangible assets was mainly due to the factthat the company acquired the land earlier, and the continuous rise in land prices inrecent years led to the evaluation appreciation; and other appreciation came from other intangible assets, including patents, know-how, and software copyrights which was not recorded on the book account but was included in this evaluation, resulting in the appreciation. We considered that it is reasonable given appreciation is based on updated prices of land and other intangible assets;

Liabilities Items:

The impairment of non-current liabilities-deferred income was mainly due to the fact that government grants associated with revenue and non-replicable were assessed to zero in this evaluation, resulting in the impairment. We are of the view that given the government grants was non-replicable, it is fair and reasonable to estimate as zero for the valuation purpose.

Evaluation of the consideration

The Transfer Consideration for the Target Equity Interest is RMB5.139 billion, which is equal to approximately 35.42% of the appraised asset value of the entire equity interest in Target Company as appraised by the Independent Valuer. The subscription amount of the capital increase in the Target Company from Baosteel was also with reference to the assessednet asset value of the Target Company. Having considered the details and our due diligencework on the valuation as set out above, we are of the view that the Transfer Consideration isfair and reasonable as far as the Independent Shareholders are concerned.

Our industry comparable analysis

The Target Company is principally engaged in steel manufacturing and is a wholly-owned subsidiary of the Company as at the date of the Circular. For conducting comparable analysis, comparable transactions and comparable companies are the two commonly adoptedmethods. It is noted from the Valuation Report that there were insufficient comparable corporate transactions with the target companies' principal business similar to that of the Target Company.

Alternatively, comparable companies method was adopted in our analysis. We have identified an exhaustive list of comparable companies (the "**Industry Comparables**") based on the following selection criteria:

(i) listed on the Stock Exchange and the shares trading was not on suspension;

(ii) principally engaged in the manufacturing and sales of iron &steel products;

(iii) the market capitalisation ranged from RMB1 billion to RMB4.5 billion; and

(iv) with more than 75% of the latest reported annual revenue generated from the sale or trading of iron & steel products.

Based on the above selection criteria, four Industry Comparables were identified. Regardingthe selection of the valuation multiple, we have given regard to the two commonly adopted valuation multiples, namely price-to-earnings multiple ("**P/E Multiple**") and price-to- book multiple ("**P/B Multiple**"). We noted that Target Company has no record of revenue or profits for FY24. As such, the P/E Multiple was not adopted in our analysis. The P/B Multiple is effective in valuing asset-intensive companies, which is applicable for the Target Company.

Based on what has been mentioned above, we consider the P/B Multiple to be an appropriate valuation multiple. Set out below are the Industry Comparables together with the relevant P/B Multiples and the information of which we consider, to the best of our knowledge and ability, to be an exhaustive, fair and representative population for the purpose of arriving at a meaningful analysis of the Transfer Consideration. As the Target Company was wholly-owned by the Company (which is the listing entity) as of the date of our industry comparables analysis and will remain a non wholly-owned subsidiary upon the completion of the Transactions, we considered it may not be necessary to adopt lack of marketability parameter in the analysis, as the Target Company is leveraging on the Company's reputationand resources for its business development.

Name	**Principal Businesses**	**Market Cap (HKD)** (Note 1)	**Market Cap (RMB)** (Note 2)	**P/B Multiples** (Note 3)
Angang Steel Company Limited (00347. HK)	Mainly engaged in production and sale of steel products.	2,089,079,200	1,952,410,467	0.04
China Oriental Group Company Limited (00581. HK)	Mainly engaged in the manufacturing and sales of iron and steel products, trading of steel products, iron ore and related raw materials, sales of power equipment and real estate business.	4,169,277,280	3,896,520,822	0.17
Newton Resources Ltd. (01231. HK)	Mainly engaged in sourcing and supply of iron ores and other commodities.	1,000,000,000	934,579,439	4.39 (Note 5)
China Hanking Holdings Limited (03788. HK)	Principal activities of the group are iron ore business, high-purity iron business in the PRC, and gold business in Australia.	2,116,800,000	1,978,317,757	1.38
			Maximum	1.38
			Minimum	0.04
			Average	0.53
Target Company				**1.44** (Note 4)

Notes:

1. The market capitalisations as at 17 April 2025, being the date of announcement of the entering into of the Equity Transfer Agreement and the Capital Increase Agreement.

2. The exchange rate of CNY:HKD was adopted as 1:1.07.

3. The P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at 17 April 2025, being the date of the announcement of the entering into of the Equity Transfer Agreement and the Capital Increase Agreement, by the net asset value ("**NAV**") attributable to the owners of the Industry Comparables as shown in their respective latest published financial results and/or reports.

4. The implied P/B Multiple (the "**Implied P/B Multiple**") of 1.44 times is calculated by dividing the Transfer Consideration by the net assets book value of the Target Equity Interest Value of the Target Equity Interest.

5. The P/B Multiple of Newton Resources Ltd. of 4.39 times is way higher than others. It is considered to be outlier and therefore not included in our analysis.

As set out above, the P/B Multiples of the Industry Comparables ranged from approximately 0.04 times to approximately 1.38 times with the average P/B Multiples of approximately 0.53 times. The Implied P/B Multiple of 1.44 times is higher than the range of P/B Multiples ofthe Industry Comparables without the outlier but within the range with the outlier.

Given the Implied P/B Multiple of 1.44 times for the disposal of equity interest in Target Company is higher than the range of P/B Multiples of Industry Comparables without the outlier but within the range with the outlier as of the date of announcement, being the dateof announcement of the entering into the Agreements, and the fact that the Transactions represent disposal of equity interest in the Target Company, we consider that the Transfer Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Transactions and use of proceeds

As set out in the Board Letter, upon completion of Transactions, Target Company will be owned as to 51% by the Company and 49% by Baosteel.

Upon completion of the Equity Transfer and Capital Increase, the registered capital of the Target Company will be increased from RMB1 billion to RMB1.266 billion. Upon the completion ofthe Equity Transfer and the Capital Increase, the Company's interest in the Target Company will decrease from 100% to 51%, resulting in the Target Company transitioning from a wholly-owned subsidiary to a non-wholly owned subsidiary, whereas the consolidated total assets and net assets ofthe Group will all be increased by RMB3.861 billion. The Target Company's financial results will continue to be consolidated into the Group's financial statements.

The Group intends to use the proceeds from the transfer of the Target Equity Interest in the following ways: (i) concerning RMB3.861 billion will be injected to the Target Company, 50% ofsuch amount will be used for new project construction, (including green production upgrades and high-value product development) and the rest will be used for daily production and operations; (ii) concerning RMB5.139 billion entered the Company as equity transfer proceeds, 3% of such amountwill be used for the Company's working capital, approximately 37% of such amount will be usedfor the Company to repay due debts such as notes payable, and the remaining 60% of such amountwill be used for strengthening its core productivity and functions, development of upstream and downstream of the industrial chain, among others.

We have reviewed the Company's plan for use of net proceeds and noted that the Company has allocated the funds into different aspects, among others, the maintenance of current business operation, the development strategy for new project to obtain more income sources, and the repayment for loans which resulted in better capital structure. We are of the view that such use ofnet proceeds is fair and reasonable, reflecting the Company's business strategy for its viable and sustainable businesses in the long run.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the terms of the Agreements are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not in the ordinary and usual course of business of the Group, they are in the interests ofthe Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committeeto recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Agreements.

Yours faithfully,
For and on behalf of
Messis Capital Limited

Angus Au-Yeung
Managing Director

Mr. Angus Au-Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 20 years of experience in corporate finance industry.

关　于

马鞍山钢铁有限公司

之

股权转让协议

目录

股权转让协议

本《股权转让协议》（“本协议”）由下列受让方和转让方于[2025]年[4]月[17]日（“签署日”）签订：

1. 受让方：

宝山钢铁股份有限公司（“宝钢股份”）

住所地：上海市宝山区富锦路 885 号

法定代表人：邹继新

2. 转让方：

马鞍山钢铁股份有限公司（“马钢股份”）

住所地：安徽省马鞍山市九华西路 8 号

法定代表人：蒋育翔

（以上单独称为“一方”，合称为“各方”）

3. 目标公司：

马鞍山钢铁有限公司（“马钢有限”或“目标公司”）

住所地：安徽省马鞍山市雨山区九华西路 8 号

法定代表人：祁卫东

鉴于：

1. 马钢股份系一家依照中国法律设立的股份有限公司，目前的注册资本为人民币 772210.4586 万元，营业范围为黑色金属冶炼及其压延加工、焦炭及煤焦化产品、耐火材料、动力、气体生产及销售；码头、仓储、运输、贸易等钢铁相关的业务；钢铁产品的延伸加工、金属制品生产及销售；钢结构、

设备制造及安装，汽车修理及废汽车回收拆解（仅限于本公司废汽车回收）；房屋和土木工程建筑，建筑安装，建筑装饰（凭资质证书开展经营活动）；技术、咨询及劳务服务。

2. 宝钢股份系一家依照中国法律设立的股份有限公司，其作为全球领先的现代化钢铁联合企业，与其下属主体具有钢铁产业经营的丰富经验和能力。

3. 目标公司系一家依照中国法律设立的有限责任公司，目前的注册资本为人民币 100000 万元。

4. 转让方拟将其持有的目标公司 35.42%股权（对应 35,424.801095 万元注册资本）（“标的股权”）转让给受让方，且受让方同意受让该等标的股权（“本次股权转让”）。

为此，各方在自愿、平等的基础上经友好协商，达成本协议如下，以兹信守：

第一条 定义与释义

1.1 定义。除非上下文另有要求，本协议使用的特定用语的含义在本协议附件一中规定。

1.2 释义。除非本协议另有明确规定，本协议中：

1.2.1 凡提及某一条、款、段、项或附件，均指本协议的条、款、段、项或附件；本协议的各个附件为本协议不可分割的一部分，如同列载于本协议正文中一样；

1.2.2 凡提及某一文件（包括本协议）均指经不时适当修改、

补充或更替的该文件;

1.2.3 “书面”指通过信件、电子邮件或传真传达的通信;

1.2.4 “包括”应理解为仅包括;如要表达不限于,则为“包括但不限于”;

1.2.5 本协议所称的“之前”、“之后”、“以上”、“以下”、“以内”或类似表述,均包括本数;所称的“不满”、“以外”、“超过”不包括本数。

第二条 本次股权转让

2.1 股权转让

2.1.1 转让价款=评估基准日的股权评估价值×35.42%=5,138,759,271.64 元,其中以 2025 年 2 月 28 日为评估基准日,经北京中企华资产评估有限责任公司评估机构评估后明确净资产值为 14,506,106,210.42 元。(最终经有权备案机构备案的评估值为准)

2.1.2 股权转让的对价的支付应当根据本协议第三条之约定进行。

2.2 本次股权转让完成后,目标公司股权结构如下:

股东名称	注册资本(人民币万元)	股权比例
马钢股份	64,575.198905	64.58%
宝钢股份	35,424.801095	35.42%
合　计	**100,000.0000**	**100%**

第三条 股权转让对价的支付

3.1 宝钢股份应在下述前提条件(“第一笔股权转让对价支

付条件”）得以全部实现或被宝钢股份豁免的前提下，将其对应的第一笔股权转让对价金额支付至马钢股份开立的银行账户：

(1) 马钢股份对目标公司已完成履行全部出资义务并实缴到位；

(2) 受让方、目标公司及转让方已完成本次投资必要的内部审议程序及上市公司信息披露工作；

(3) 本次股权转让已履行和取得所必要的国资批准程序、国有资产审计/评估程序及其他任何政府部门授权、批准和备案或相关的第三方同意；

(4) 宝钢股份与马钢股份已签署本次股权转让相关的《关于马鞍山钢铁有限公司之股东协议》（以下简称“股东协议”）及其他本次交易必须的全部交易文件；

(5) 截至第一笔股权转让对价支付前，目标公司未发生重大不利变化，包括年度产量明显下降（年化降幅超过50%）；

(6) 目标公司已根据《增资协议》完成马钢股份相关钢铁资产的置入。

3.2 宝钢股份应在下述前提条件（“第二笔股权转让对价支付条件”）得以全部实现或经双方确认不会对目标公司生产经营造成实质性重大影响，将其对应的第二笔股权转让对价金额支付至马钢股份开立的银行账户：

(1)第一笔股权转让对价支付条件的前提条件继续得以满足；

(2)目标公司已完成马钢股份相关钢铁资产的权属变更转移手续，与生产经营相关的许可证、产能指标、能耗指标等相关资质的办理、转移、承接等工作。

3.3 支付价款的时间安排

转让价款在上述第一笔股权转让对价支付条件满足后或者被宝钢股份豁免之日起 10 个工作日内支付股权转让价款总额的 50%（“第一笔股权转让对价”）；受限于满足第二笔股权转让对价支付条件或经双方确认不会对目标公司生产经营造成实质性重大影响，完成第一笔股权转让对价支付之日起 180 日内支付股权转让价款总额的 50%，如果交割日在 2025 年 6 月 30 日前，则付款最晚时间不得晚于 2025 年 12 月 31 日。（“第二笔股权转让对价”）。

3.4 若在支付任意一笔股权转让对价之前，除尽职调查中已充分且真实披露的事件之外，宝钢股份若发现对评估基准日股权价值造成不利影响的其他事件之时，并有相关材料初步证明的，有权书面通知马钢股份和目标公司，将暂停支付相应股权转让对价。待双方研究讨论对股权价值造成不利影响的该事件后果，并协商一致达成出资安排解决方案后包括但不限于通过签署补充协议调整 2.1.1 条所约定的股权转让价款，宝钢股份应按照双方达成一致的最新安排支付价款。如马钢股份发现评估基准日前未发现的且对股权价值估值产生不利影响的事项，马钢股份有权要求宝钢股份按照调整后

的最新股权对价差额现金补偿给马钢股份，待双方研究讨论对股权价值造成不利影响的该事件后果，并协商一致达成解决方案包括但不限于通过签署补充协议予以解决。

3.5 除本条上述约定情形之外，若宝钢股份延迟支付股权转让对价的，应按马钢股份长期贷款利率支付相应利息。如逾期付款超过 90 日未支付价款，马钢股份有权单方解除本协议。

第四条 股权转让程序

4.1 本协议项下，交割日是指本协议生效的当月最后一日，交割日后且宝钢股份已支付本协议约定的第一笔股权转让对价之日起 10 个工作日内，目标公司应当办理完成关于本次股权转让相关的市场主体变更登记、相应章程、董事、监事及高级管理人员的市场主体变更备案（“工商变更完成日”）。

4.2 自交割日起，宝钢股份即享有及承担其基于本次股权转让而持有的标的股权所对应的表决权、提名权、红利分配权、剩余财产分配权以及《公司法》等法律规定和本协议、股东协议、公司章程约定赋予股东的权利及相关义务。

4.3 各方同意，目标公司在评估基准日（不含当日）至交割日（包含当日）期间（“过渡期”）的净资产变动，由原股东享有或承担，通过特殊分红实现。

第五条 交割前承诺

5.1 自本协议签署之日起至交割日，马钢股份应确保目标公司持续、稳定的经营，履行对目标公司的管理职责，尽到善良管理人的义务，并及时将有关对目标公司已造成或可能造成重大不利影响的任何事件、事实、条件、变化或其他情况适时书面通知宝钢股份。

5.2 自本协议签署日起至交割日，目标公司股东会、董事会做出任何决议前应当告知宝钢股份。

5.3 自本协议签署之日起至交割日，除各方根据本协议的约定履行本次股权转让所涉手续及履行交割后义务外，未经宝钢股份同意，目标公司不得，且马钢股份应监督并保证目标公司不得进行以下行为：

5.3.1 任何涉及目标公司合并、分立、停业、清算、解散等的行为；

5.3.2 进行任何利润分配；

5.3.3 出售或处分目标公司的重大资产、业务、商誉、权益及合同权利义务；

5.3.4 在其任何资产上设置租赁、抵押、质押、留置等权利负担或者其他产权限制；

5.3.5 修改目标公司的章程及其他关键文件；

5.3.6 变更目标公司目前的业务，或促使目标公司开展与目前业务不存在辅助或附带关系的新业务，或达成任何公司现

有一般经营范围和业务之外新的商业交易的安排或协议或终止或变更任何现有重大商业交易安排或协议；

5.3.7 任何涉及目标公司及下属子公司增资或减资、增加或减少公司股东、调整现有股权比例的行为；

5.3.8 通过任何针对目标公司解散、清算，或承诺进行任何兼并、合资、重组或分立、清算、解散事宜的决议；

5.3.9 进行年度计划外投资、担保、借贷（正常经营需要的除外）、赔偿（因执行法院生效判决、生效仲裁裁决的除外）或其他非因正常业务经营原因而进行的支付；

5.3.10 进行任何会构成或导致其在本协议项下所作出的陈述和保证或相关承诺不真实、不准确或被违反的事项；

5.3.11 对公司经营、资产、人员、财务状况等产生不利影响的行为；

5.3.12 其他可能会对本次股权转让产生重大不利影响的作为或不作为（包括违反任何转让方保证）。

第六条 交割后事项

6.1 各方确认，2025 年 2 月 28 日应在目标公司账面记载但未记载的债权债务，交割日后收到或清偿的，需由马钢股份享有或承担。2025 年 2 月 28 日至交割日之间应在目标公司账面记载但未记载的债权债务，交割日后收到或清偿的，由双方友好协商解决。

6.2　各方确认，马钢股份应负责协调安徽省、市相关政府部门，对目标公司设立过程中相关生产许可证、产能指标、能耗指标、高新技术企业等相关资质的办理、转移、承接等工作。

6.3　各方确认，目标公司及其下属子公司在交割日前已经发生的未决法律纠纷或者交割日后五年内发现因交割日前事由导致在交割日后引发的法律纠纷，目标公司及其下属子公司应积极应对，维护目标公司利益。由此导致目标公司及其下属子公司根据生效法律文书确定的相关金额履行相关义务后，并由此对宝钢股份权益造成损失的，应由马钢股份给予宝钢股份相应补偿。

6.4　各方确认，“马钢”商标、字号由马钢股份授权目标公司及其下属子公司存续期无偿使用。按照国资委对央企商标、品牌、字号的管理要求，马钢股份依法合规地使用，避免对目标公司及其下属子公司权益产生不利影响，各方有责任、有义务将“马钢”商标维护好、建设好、发展好。

第七条 陈述和保证

7.1　各方在签署日陈述和保证：其均为按照相关法律正式组建并合法有效存续的主体，采取并获得了签署本协议必要的批准、许可、同意和通知等相关手续。

7.2　马钢股份和目标公司在签署日、交割日、第一笔股权转让价款支付日、工商变更完成日和第二笔股权转让价款支付

日作出陈述和保证如下：其为本次股权转让而向宝钢股份提供的资料、信息是真实、准确、完整的。

7.3 除已经向宝钢股份书面披露的情形外，马钢股份和目标公司在签署日和交割日作出陈述和保证如下：目标公司合法合规经营，未发生任何重大违法行为，不存在被任何政府部门处以重大行政处罚的情形；对目标公司目前经营所需的全部知识产权拥有合法有效的所有权及/或使用权；目标公司合法拥有或使用其财务报表中记载的全部有形及无形资产；除在尽调过程中已经向宝钢股份披露的之外，目前目标公司未涉及其他超过3000万以上的重大权利主张、索赔、诉讼、仲裁、司法调查程序；目标公司合法纳税，不存在欠缴税款情形；目标公司符合环境、职业健康或安全生产、产品安全或质量检验方面的法律、法规及规章；目标公司的档案文件和会计凭证在所有重大方面反映了目标公司的资产状况和经营成果；目标公司在劳动用工方面遵守法律法规的规定，不存在重大违法行为。

第八条 违约责任

8.1 任何一方违反本协议的约定或违反其对另一方的陈述或保证并给另一方造成损失，则构成该一方对另一方的违约。违约方应向守约方赔偿因其违约而致使守约方遭受的全部损失、损害、费用和支出（包括但不限于因违约而支付或损失的利息以及律师费、诉讼费、仲裁费，但不包括任何性质

的间接损失）。

8.2　如任何一方违反在本协议下的非金钱义务的，违约方应在收到其他方就此发出的书面通知（该通知必须合理详细地说明所指的违约行为的性质）后15日内完成纠正。

8.3　对违约方追究违约责任不影响守约方在本协议以及基于本协议后续签署的或各项协议/合同及其它相关法律文件项下的权利。

8.4　上述违约责任及赔偿条款不因协议的解除而失效。上述违约责任条款根据其性质在本协议解除后对各方继续适用。

第九条 保密

9.1　本协议各方承诺将下列所有信息视作保密信息并对之保密：

9.1.1 各方提供的有关本协议及各方签署的本协议项下交易的所有重要方面的信息及/或本协议所含信息；

9.1.2 各方提供的与商业秘密、技术、版权、专利、商标、定价和营销方案、客户和顾问的详细资料、经营计划、商业收购方案、新人员招募方案及与各方及其各自关联方有关的所有其他的保密或专有信息。

9.2　本条规定的保密义务不得适用于下列情况：

9.2.1 根据法律规定在证券交易所进行的披露；

9.2.2 向与本交易有关而需要获知以上信息并受保密协议约

东的律师、会计师、顾问和咨询人员披露；

9.2.3 根据适用的法律法规的要求，向有关政府部门、人民法院或仲裁机构或者管理机构披露。

第十条 协议的补充、修改、变更、终止

10.1 本协议于各方合法授权代表签署并加盖公章或最终决策机构审批同意之日（以二者之间孰晚之日为准）生效并持续有效。除非依第 10.2 条提前终止。但第八条、第九条、第十一条及第十二条将不因本协议的终止而失效。

10.2 本协议在下列情况下终止：

10.2.1 经本协议各方协商一致；

10.2.2 如果本协议签署后到完成市场主体变更登记日前，目标公司发生重大不利变化，包括年度产量明显下降（降幅超过 50%）事项，宝钢股份可终止本协议并放弃本协议拟议的交易；

10.3 如果出现本协议单方终止的情形，有权终止的一方应立即向其他各方发出书面通知，并且，本协议应在通知到达其他各方时终止。

第十一条 适用法律和争议解决

11.1 本协议的订立、效力、解释、履行、修改和终止以及争议的解决均适用中国法律。

11.2 因本协议的签署、效力、解释和履行所产生的一切争议，

本协议各方应首先通过友好协商方式解决，若各方不能通过友好协商解决争议，任何一方均可向被告所在地有管辖权的人民法院提起诉讼。

第十二条 通知

12.1 除非本协议另有规定，通知应通过下列方式并在下列日期视为送达日：

12.1.1 专人递送：通知方取得的被通知方签收单所示日期；

12.1.2 挂号信邮递：发出通知方持有的国内挂号函件收据所示日期后第5日；

12.1.3 传真：收到成功发送确认的当日；

12.1.4 特快专递：发出通知方持有的发送凭证上邮戳日起第3日；

12.1.5 电子邮件：成功发送的当日；

12.2 一方通讯地址或联络方式发生变化，应自发生变化之日起5日内以书面形式通知其他方。任何一方违反前述规定，除非法律另有规定，变动一方应对由此而造成的影响和损失承担责任。

第十三条 不可抗力

13.1 若任何一方因不可抗力事件（如下定义）而受阻履行其在本协议项下的义务，受阻一方应尽快书面通知其它各方并在事件后的十五（15）日内，提供有关该等事件的详尽资料

以及证明该事件的文件（包括官方主管部门的文件，如适用），说明其不能履行或延迟履行本协议全部或部分条款的原因。

13.2 “不可抗力事件”是指在签订本协议时任何一方均无法预知，且无法避免并克服其发生和后果的任何事件。不可抗力事件应包括但不限于地震、台风、洪水或其他自然灾害、火灾、爆炸、禁运、罢工、暴乱、战争、流行病或政策变化、政局变动、外交原因等。

13.3 如发生不可抗力事件，任何一方均无需对其它各方因其无法履约或延迟履约而蒙受的任何损害、成本增加或损失负责，且该未能履约或延迟履约不应被视为违反本协议。声称发生不可抗力事件的一方应采取适当手段尽量减少或消除不可抗力事件的影响，并尽可能在最短的时间内尝试恢复被不可抗力事件影响的履约。

13.4 如不可抗力事件或不可抗力事件的结果阻碍任何一方履行其在本协议项下的全部或部分义务，自该不可抗力事件发生之日起为期达一百二十（120）日或以上，则各方应根据不可抗力事件的影响，通过协商和全体一致投票，讨论决定是否终止本协议，免除受影响一方履行其在本协议项下的全部或部分义务，或延迟履行该等义务。

第十四条 其他

14.1 除非各方另有约定，各方应根据中国法律的规定，各自承担订立和履行本协议以及本协议下的任何其他协议、文件

和文书及完成股权转让而发生的相关税费（如有）。

14.2 若本协议中的任何一项或多项规定，根据任何适用法律或法规在任何一方面被裁定为无效或不可执行，本协议其余条款的有效性、合法性和可执行性并不因此在任何方面受影响或受损害。各方应通过诚意磋商，努力以有效的条款取代那些无效或不可执行的条款，而该等有效的条款所产生的经济效果应尽可能与那些无效或不可执行的条款所产生的经济效果相似。

14.3 每一方同意及时签署履行或执行本协议规定和目的合理所需或可行的文件并进行履行或执行本协议规定和目的合理所需或可行的进一步行动。

14.4 各方同意，如果一方违反本协议，则其他守约方有权要求违约方实际履行其违反的义务。

14.5 本协议以中文书写，正本一式三份，每一方各持一份，每份具有同等法律效力。

（以下无正文，下接签署页）

（本页无正文，本页为《关于马鞍山钢铁有限公司之股权转让协议》之签署页）

兹此，各方已亲自或促使其合法授权代表于本协议首部所列之日期签署了本协议，以昭信守。

宝山钢铁股份有限公司（盖章）

法定代表人或授权代表签字：

（本页无正文，本页为《关于马鞍山钢铁有限公司之股权转让协议》之签署页）

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马鞍山钢铁有限公司（盖章）

法定代表人或授权代表签字：

附件一 定义

交易文件： 指本协议、股东协议、公司章程以及其他为本次股权转让之目的各方签署的相关文件之合称。

关联方： 指就任何一方而言，该方控制的、受其控制的或与其共同受控制于第三方的任何其他实体。

税款/税费： 指税务机关征收的所有税款和附加费，包括但不限于企业所得税、任何性质的预提税、营业税、增值税、消费税、印花税、房地产税、关税和收费、税费及有关的代扣代缴税款以及罚款、罚金、收费、费用及有关的利息。

控制： 指(A)持有某个主体超过50%的已发行股份、股本、股权、注册资本或权益；或(B)通过拥有某个主体超过50%表决权或者通过拥有某个主体超过50%表决权的表决代理，或(C)通过有权委派某个主体的董事会或类似的管理机构的多数成员，或通过合同安排或其他方式，能够决定某个主体的管理或政策的权力。

元： 除非本协议另有约定，指人民币元。

特殊分红： 指过渡期内，若马钢有限发生盈利，净资产增加变动部分通过利润分配形式向马钢股份实施利润分配；若马钢有限发生亏损，并且存在可分配利润前提条件下，净资产减少变动部分在交割日后通过相应减少向马钢股份应分配利润金额并相应增加向宝钢股份应分配利润金额方式实现。

增资协议： 指2025年1月24日，马钢股份与马钢有限签署的《增资协议》。

关于

马鞍山钢铁有限公司

之

股东协议

[2025]年[4]月[17]日

股东协议

马鞍山钢铁有限公司（以下称“公司”）之《股东协议》（以下简称“本协议”）由以下各方及公司于[2025]年[4]月[17]日签署：

(1) 宝山钢铁股份有限公司（“宝钢股份”）

住所地：上海市宝山区富锦路 885 号

法定代表人：邹继新

(2) 马鞍山钢铁股份有限公司（“马钢股份”）

住址：安徽省马鞍山市九华西路 8 号

法定代表人：蒋育翔

（以上单独称为“一方”，合称为“各方”）

（3）马鞍山钢铁有限公司（下称“公司”）

住址：安徽省马鞍山市雨山区九华西路 8 号

法定代表人：祁卫东

鉴于：

1. 公司系一家依照中国法律设立的有限责任公司，注册资本为人民币 100000 万元，主营业务为钢、铁冶炼。

2. 2025 年 4 月 17 日，马钢股份与宝钢股份就宝钢股份受让股权事宜签署了《关于马鞍山钢铁有限公司之股权转让协议》（以下简称“《转让协议》”）。

3. 为更好地维护各方权益，全体股东拟就其享有公司股东权利和义务及相关事宜进行约定。

为此，各方在自愿、平等的基础上经友好协商，达成本协议如下，以兹信守：

第一条 公司名称和地址

1.1 公司的中文名称为：马鞍山钢铁有限公司。

1.2 公司的注册地址为：安徽省马鞍山市雨山区九华西路8号。

1.3 公司的经营范围：

钢、铁冶炼；炼焦；钢压延加工；化工产品生产（不含许可类化工产品）；化工产品销售（不含许可类化工产品）；热力生产和供应；基础化学原料制造（不含危险化学品等许可类化学品的制造）；非常规水源利用技术研发；耐火材料销售；铁合金冶炼；普通货物仓储服务（不含危险化学品等需许可审批的项目）；国内货物运输代理；铁路运输辅助活动；国内集装箱货物运输代理；煤炭及制品销售；金属矿石销售；销售代理；金属材料销售；高品质特种钢铁材料销售；特种设备销售；金属材料制造；专用设备制造（不含许可类专业设备制造）；普通机械设备安装服务；金属结构制造；金属结构销售；劳务服务（不含劳务派遣）；技术服务、技术开发、技术咨询、技术交流、技术转让、技术推广；企业管理咨询；非居住房地产租赁；土地使用权租赁；机械设备租赁；运输设备租赁服务；船舶租赁；特种设备出租；绘图、计算

及测量仪器制造；绘图、计算及测量仪器销售；环境保护监测；招投标代理服务；货物进出口；再生资源销售；再生资源加工；技术进出口；进出口代理；金属废料和碎屑加工处理；建筑用钢筋产品生产；燃气经营；发电业务、输电业务、供（配）电业务；特种设备制造；道路货物运输（不含危险货物）；道路危险货物运输；港口经营（除许可业务外，可自主依法经营法律法规非禁止或限制的项目）。上述经营范围以经公司登记机关核准并记载于企业法人营业执照上的经营范围为准。在经公司股东会决定并履行相关法定程序后，公司可以修改经营范围。

第二条 增资及公司股权结构

2.1 各方一致同意和确认，在《转让协议》下交割日，宝钢股份应对公司同步进行增资，本次宝钢股份增资总额为人民币 3,861,240,728.36 元，其中 266,180,370.69 元转入公司注册资本，3,595,060,357.67 元转入公司资本公积金。上述增资额由宝钢股份以现金认缴，认缴额为 3,861,240,728.36 元，于本协议生效之日起 180 日内付清。如果交割日在 2025 年 6 月 30 日前，则付款最晚时间不得晚于 2025 年 12 月 31 日。

*注：本次增资总额按照经国资备案的基准日为 2025 年 2 月 28 日的净资产评估价值为基准确认转入注册资本及资本公积金额，评估基准日至交割日马钢有限净资产变动由马钢股份根据《转让协议》相关约定享有或承担，通过特殊分红实现。

2.2 上述股权转让及增资完成后，公司注册资本为人民币1,266,180,370.69元，公司股权结构如下所示：

股东名称	出资方式	注册资本（万元）	出资比例
马钢股份	货币	64,575.198905	51%
宝钢股份	货币	62,042.838164	49%
合计	/	126,618.037069	100%

2.3 公司应当向股东签发出资证明书。出资证明书不应视为股票及其他有价证券,只是证明出资者出资事实的文件。各方对于各自的出资证明,不得向第三方转让、转交或以担保为目的等进行任何处置，所进行的相关处置均属无效。

第三条 公司的经营管理

3.1 股东会

3.1.1 本次投资完成后，公司的治理机构由股东会、董事会、总经理领导下的经营管理机构组成。股东会为公司的最高权力机构，股东各方根据法律法规、本协议、公司章程和股东间的其他约定行使股东权利。

3.1.2 除非本协议另有约定，公司股东在股东会会议上按2.2条所述股权比例行使表决权。

3.1.3 股东会依法行使《公司法》、公司章程和本协议规定的下述各项职权：

（1）决定公司的经营方针和投资计划；

（2）选举和更换非由职工代表担任的董事，对其履职情况进行评价，决定有关董事的报酬事项；

（3）审议批准董事会的报告；

（4）审议批准公司的年度财务预算方案、决算方案；

（5）审议批准公司的利润分配方案和弥补亏损方案；

（6）对公司发行公司债券、上市融资方案作出决议；

（7）对公司增加或者减少注册资本作出决议

（8）对公司合并、分立、解散、清算或者变更公司形式和公司重组、改制事项作出决议；

（9）修改《公司章程》；

（10）批准金额达到最近一期经审计净资产 10%以上的向其他企业或公司投资、股权转让、合资、担保等事项；

（11）对公司转让单笔账面净值达到最近一期经审计的净资产值 10%以上重大资产作出决议；

（12）审议批准公司的年度关联交易预算及以下关联交易：公司与关联法人之间的单次关联交易超预算金额占公司最近一期经审计净资产值 5%以上的关联交易，以及公司与关联法人就同一标的或者公司与同一关联法人在连续 12 个月内达成的关联交易累计超预算金额占公司最近一期经审计净资产值的 5%以上的关联交易，或者公司与关联自然人的单次或累计金额为人民币 30 万元以上的关联交易；

（13）审批公司中长期战略规划，决定公司发展方向；

（14）决定实施股权激励，批准股权激励方案；

（15）《公司章程》规定的其他职权。

股东会就上述事项中的第（6）至（14）项作出决议时，应经代表三分之二以上表决权的股东同意通过；公司股东会就其余事项作出决议，应当在适当召开的股东会会议上经代表过半数表决权的股东通过。

3.1.4 召开股东会会议，应当根据公司章程的规定通知股东。股东会召集人应在股东会会议召开 15 日前以书面方式通知各股东。股东会会议应由股东双方出席方可举行。

3.1.5 股东会会议分为定期会议和临时会议。定期会议一年召开一次，在每个公历年度的前 6 个月内召开。代表十分之一以上表决权的股东、三分之一以上的董事有权提议召开公司股东会临时会议。

3.1.6 股东对所议事项以书面形式一致表示同意的，可以不召开股东会会议，直接作出决定，并由全体股东在决定文件上签名、盖章。

3.1.7 股东会会议由董事会召集，董事长主持，董事长不能履行职务或者不履行职务的，由过半数董事共同推举一名董事主持。董事会不能履行或者不履行召集股东会会议职责的，代表十分之一以上表决权的股东可以自行召集股东会会议。

3.1.8 股东（包括股东委托参加股东会议的人士）可通过电话、电子或其他能使所有参加会议的人员同时并即刻相互交流的通讯设施参加公司的任何股东会会议，以该种方式出席会

议应构成亲自出席该等会议。

3.2 董事会

3.2.1 公司的董事会应由 7 名董事组成，分别由宝钢股份提名 3 名董事候选人（“宝钢股份董事”），马钢股份提名 3 名董事候选人（“马钢股东董事”），由股东会选举产生；设立职工董事 1 名，由职工代表大会选举产生。各方同意在股东会审议选举前述董事候选人的议案时投赞成票。董事任期为三（3）年。董事任期届满，连选可以连任。推荐董事的股东方提前三十（30）日书面通知董事会后，并通过股东会决议的形式更换各自推荐的董事。任期内更换董事时，后任者的任期是前任者的剩余任期。

3.2.2 公司董事会对股东会负责，并根据《公司法》、公司章程和本协议的规定行使职权或就下列事项作出决议：

（1）召集股东会会议，并向股东会报告工作，执行股东会决议；

（2）决定公司经营计划和投资方案；

（3）制订公司对外担保方案；

（4）制订公司年度财务预算方案、决算方案；

（5）制订公司利润分配方案、弥补亏损方案；

（6）制订公司增加或者减少注册资本方案；

（7）制订公司发行债券方案；

（8）制订公司合并、分立、解散、清算或者变更公司形式方

案；

（9）制订公司股权激励方案；

（10）决定公司单笔账面净值 5000 万元以上，不满最近一期经审计的净资产 10%的重大资产转让；

（11）批准金额不满最近一期经审计净资产 10%的向其他企业或公司投资、股权转让、合资、担保等事项；

（12）公司与关联法人达成的单笔关联交易超预算金额不满最近一期经审计的净资产 5%的关联交易事项；以及公司与关联法人就同一标的或者公司与同一关联法人在连续 12 个月内达成的关联交易累计超预算金额不满最近一期经审计净资产值的 5%的关联交易，或者公司与关联自然人的单次或累计金额不满人民币 30 万元的关联交易；

（13）决定公司内部管理机构设置；

（14）决定聘任或者解聘公司总经理及其报酬事项，并根据总经理提名决定聘任或者解聘公司副总经理、财务负责人及其报酬事项；

（15）制订公司中长期战略规划；

（16）制定公司基本管理制度；

（17）根据法律法规或《公司章程》规定，行使股东会授予的其他职权。

当三分之一以上董事对拟提交董事会审议的事项有重大分歧的，该事项一般应当暂缓上会；有合理充分的理由认为资料不完整或者论证不充分，三名以上董事以书面形式联名提

出该事项暂缓上会的，董事会应当采纳。

同一议案提出缓议的次数不得超过两次。同一议案提出两次缓议之后，提出缓议的董事仍不同意该议案的，可以在表决时投反对票或者三名以上董事以书面形式联名提出将该事项提交股东会审议。

董事会作出决议需经董事会过半数董事同意通过。其中，对上述董事会职权第（2）至（15）项作出决议，需经董事会超过三分之二董事同意通过。

3.2.3 董事会设董事长一名，由宝钢股份提名的董事担任并经公司董事会过半数选举产生。

3.2.4 公司的董事会会议分为定期会议和临时会议。定期会议每年召开四次，代表十分之一以上表决权的股东、三分之一以上的董事均有权提议召开公司临时董事会会议。

3.2.5 董事会会议的最低出席人数为四名董事（其中必须至少有一名宝钢股份董事和一名马钢股份董事出席）。公司董事会会议由董事长召集和主持，董事长不能履行职务或者不履行职务的，由过半数董事共同推举一名董事召集和主持。除非全体董事同意，每一次董事会会议的通知应于会议召开10日前送达全体董事。会议通知中应当说明会议召开的时间、地点、会务联系方式和会议议题。情况紧急，需要尽快召开董事会临时会议的，可以随时通过电话或者其他口头方式发出会议通知，但召集人应当在会议上作出说明。董事因故不能出席董事会会议的，可以书面委托其他董事代为出席。代

为出席董事会会议的代理人应当在授权范围内行使董事的权利。董事可以亲自或通过电话会议或电视会议的方式与会，前提是每一名与会人能清楚地听到彼此发言，该等与会者应视为出席会议。

3.2.6 在任何董事会会议上，每一董事或其代理人对由董事会决定的每一事项享有一票表决权。

3.2.7 尽管有上述各项约定，如果全体董事一致同意的，可以不召开董事会会议而由公司全体董事在相关的书面决议文件上进行签署，以作出有效的董事会书面决议。

3.3 公司的经理层

3.3.1 公司设总经理 1 名，由马钢股份提名，董事会决定聘任或解聘。设副总经理若干名，由总经理提名，具体分工由总经理安排，董事会决定聘任或解聘。高级管理人员的任期为 3 年，可以连聘连任。

各股东在书面提出更换由自己推荐的高级管理人员要求后，公司应按照公司章程的正常程序通过董事会决议的形式更换高级管理人员。

3.3.2 总经理对董事会负责，行使下列职权：

（1）主持公司的生产经营管理工作，组织实施董事会决议，并向董事会报告工作；

（2）组织实施公司年度经营计划和投资方案；

（3）拟订公司内部管理机构设置方案；

（4）拟订公司的基本管理制度；

（5）制定公司的具体规章；

（6）提请聘任或者解聘公司副总经理及其他高级管理人员；

（7）决定聘任或者解聘除应由董事会决定聘任或者解聘以外的其他管理人员；

（8）决定公司单笔账面净值不满 5000 万元重大非股权类资产转让；

（9）董事会授予的其他职权。

总经理全面负责公司的日常生产和经营管理，副总经理协助总经理工作。

3.4 党组织

3.4.1 公司党委成员由党员大会或者党员代表大会选举产生，每届任期一般为 5 年。任期届满应当按期进行换届选举。

3.4.2 公司党委领导班子成员 7 人，设党委书记 1 名、党委副书记 2 名或者 1 名。按“双向进入、交叉任职”原则，经理层成员中符合条件的党员依照程序进入党委。党委书记、董事长原则上由一人担任，党员总经理原则上担任党委副书记。党委一般配备专责抓党建工作的专职副书记。

3.4.3 按照规定设立党的纪律检查委员会，每届任期和党委相同。纪律检查委员会设书记 1 名，其他纪律检查委员会委员若干名。

3.5 股权的转让及增、减资

3.5.1 除本协议另有约定外，自本协议生效之日起至各方不再持有公司股权之日，除非经另外一方股东事先书面同意，一方股东不得直接或间接地以转让或其他任何方式处置其直接或间接持有的公司部分或全部股权或在该等股权之上设置质押、抵押等任何权利负担。经股东方同意转让的股权，在同等条件下，同意转让股东方有优先购买权。

3.5.2 关于股东方之间的股权转让，任何一股东方在受让股东方同意时，在不违背公司经营目的，不损害公司利益的前提下，可以按照中国的相关法律、法规的规定，向受让股东方转让其所持公司的股权。

3.5.3 拟转让股东方转让其全部或部分股权时，该转让的实施以拟转让股东方在本协议的权利和义务由受让人承接为条件，且该转让不应违背公司经营目的,并不应损害公司利益。

3.5.4 因转让公司的股权而退出公司的股东方,应将其出资证明退还公司。

3.5.5 违反本条约定进行的公司股权变动无效，各方不应承认违反本条约定进行的公司股权变动，公司也不得向违反本条约定取得公司股权的任何人签发股权证明文件或将其载入公司的股东名册，或协助其进行工商变更登记。

3.5.6 公司在股东会决定增加注册资本时，除非各方股东之间另有书面同意，各方股东根据届时各自的实缴出资比例认缴出资。公司注册资本增加后，应向各方股东出具新的出资证明替换原有出资证明。

3.5.7 公司经营期间不得减少注册资本。公司确实有必要减少注册资本时,必须经代表三分之二以上表决权股东同意通过,方可减少注册资本。但基于本条的注册资本的减少,必须符合中国的相关法律、法规的规定。

3.6 利润分配

公司利润及损失，应遵循股东会决议按照下列条款处理:

3.6.1 公司应当根据股东会决议分配利润;

3.6.2 基于前款的利润分配应按以下原则进行:

（1）公司分配当年税后利润时，应当提取利润的 10%列入公司法定公积金。公司法定公积金累计额为公司注册资本的50%以上的，可以不再提取。公司法定公积金不足以弥补以前年度亏损的，在依照前款规定提取法定公积金之前，应当先用当年利润弥补亏损。公司从税后利润中提取法定公积金后，经股东会决议，还可以从税后利润中提取任意公积金。公司弥补亏损和提取公积金后所余税后利润，优先按《转让协议》约定进行特殊分红；除股东会决议审议通过特殊分红外，按照股东实缴的出资比例全额分配利润;

（2）利润分配应当以现金的形式于下一年度的6月30日前进行分配，各股东按照实缴的出资比例进行分配；公司在股东会决定分配利润后一个月内，将分配利润汇入各股东指定的银行账户。

（3）以前年度实现的未分配利润，根据股东会决议可以并

入本年度利润进行分配。

3.6.3 公司利润分配按照《公司章程》、《公司法》及其他有关法律、行政法规和国家有关国有资本收益管理规定执行。

3.7 知情权和检查权

股东有权查阅、复制公司章程、股东名册、股东会会议记录、董事会会议决议和财务会计报告。经事先合理书面通知并且在公司的正常工作时间内，公司应允许股东或其授权代表检查公司的设施、账簿及会计记录、合同及其它经营资料，核查公司的财产和资产。公司应允许公司的董事、经理层和雇员在此过程中向股东及其授权代表提供充分合作。

3.8 税务、财务、审计

3.8.1 公司经营过程中根据中国有关法律、法规(包括适用税收方面的优惠措施）的规定，缴纳各种税金。

3.8.2 公司应当依照法律、行政法规和国务院相关部门的规定建立本公司的财务、会计、审计和法律顾问制度。

3.8.3 公司的会计年度采用公历制，即每年公历 1 月 1 日起至 12 月 31 日止为一个会计年度。公司采取人民币为记账本位币，账目用中文书写。

3.8.4 公司应当在每一个会计年度终了后 90 日内，编制财务会计报告。财务会计报告应当依照法律、行政法规、《企业会计准则》和国资委、财政部等相关部门的规定编制。公司

年度财务报告应当依法经会计师事务所审计，并经过公司董事会审议通过。

3.8.5 公司应当加强对内部审计工作的领导，按照《中华人民共和国审计法》等有关规定，建立健全内部审计制度。党委书记、董事长是第一责任人，主管内部审计工作。公司内部审计部门对董事会负责，接受董事会的管理和指导，根据相关规定，对公司及其分公司、子公司的经营管理活动和绩效情况进行审计监督。

3.9 解散

3.9.1 公司因下列原因解散:

（1）公司章程规定的解散事由出现;

（2）股东会决议解散;

（3）因公司合并或分立需要解散;

（4）依法被吊销营业执照、责令关闭或者被撤销;

（5）人民法院依照《公司法》相关规定予以解散。

3.9.2 公司有 3.9.1 款（1）情形的，可以通过修改公司章程而存续。

3.10 清算

3.10.1 解散公司时，公司应按照中国有关法律法规立即进行清算。

3.10.2　清算后的剩余财产，按照各方股东实缴出资比例进行分配。公司向各股东方分配的金额以人民币为计价货币来计算，分别向股东方指定的银行账户支付人民币。

3.11　公司章程

3.11.1　在签署本协议的同时，全体股东应根据本协议的相关约定修改并重新签署《公司章程》。

3.11.2　如上述由全体股东重新签署后的《公司章程》的规定与本协议的约定有冲突或不同的，则公司股东间的权利和义务仍按本协议的约定为准；《公司章程》中没有规定的事项，则根据本协议的约定执行。

第四条　违约责任及赔偿

4.1　任何一方违反本协议的约定或违反其对另一方的陈述或保证并给另一方造成损失，则构成该一方对另一方的违约。违约方应向守约方赔偿因其违约而致使守约方遭受的全部损失、损害、费用和支出（包括但不限于因违约而支付或损失的利息以及律师费、诉讼费、仲裁费，但不包括任何性质的间接损失）。

4.2　如任何一方违反在本协议下的非金钱义务的，违约方应在收到其他方就此发出的书面通知（该通知必须合理详细地说明所指的违约行为的性质）后15日内完成纠正。

4.3 对违约方追究违约责任不影响守约方在本协议以及基于本协议后续签署的或各项协议/合同及其它相关法律文件项下的权利。

4.4 上述违约责任及赔偿条款不因协议的解除而失效。上述违约责任条款根据其性质在本协议解除后对各方继续适用。

第五条 其他规定

5.1 生效、终止

5.1.1 本协议于各方签署并加盖公章之日或最终决策机构审批同意之日（以二者之间孰晚之日为准）起生效并持续有效，除非经本协议签署各方协商一致提前终止。

5.1.2 本协议是各方就本协议主题事项所签订的完整的唯一的协议，取代各方之间先前达成的所有口头或书面协议、合同、谅解和通讯。

5.2 保密

5.2.1 本协议各方承诺将下列所有信息视作保密信息并对之保密：

（1）各方提供的有关本协议及各方签署的本协议项下交易的所有重要方面的信息及/或本协议所含信息；

（2）各方提供的与商业秘密、技术、版权、专利、商标、定

价和营销方案、客户和顾问的详细资料、经营计划、商业收购方案、新人员招募方案及与各方及其各自关联方有关的所有其他的保密或专有信息。

5.2.2 本条规定的保密义务不得适用于下列情况:

（1）根据法律规定在证券交易所进行的披露;

（2）向与本次股权转让有关而需要获知以上信息并受保密协议约束的律师、会计师、顾问和咨询人员披露;

（3）根据适用的法律法规的要求，向有关政府部门、人民法院或仲裁机构或者管理机构披露。

5.3 通知

5.3.1 除非本协议另有规定，通知应通过下列方式并在下列日期视为送达日:

（1）专人递送：通知方取得的被通知方签收单所示日期;

（2）挂号信邮递：发出通知方持有的国内挂号函件收据所示日期后第 5 日;

（3）传真：收到成功发送确认的当日;

（4）特快专递:发出通知方持有的发送凭证上邮戳日起第 3 日;

（5）电子邮件：成功发送的当日

5.3.2 一方通讯地址或联络方式发生变化，应自发生变化之日起 5 日内以书面形式通知其他方。任何一方违反前述规定，

除非法律另有规定，变动一方应对由此而造成的影响和损失承担责任。

5.4 标题

本协议中所有条款的标题仅为查阅方便而设，不得影响或限制对本协议下各条款内容的解释。

5.5 本协议所称高级管理人员为公司总经理、副总经理等。

5.6 承继人和受让人

本协议对各方及其各自的承继人和获准受让人具有约受力。

5.7 可分割性

若本协议中的任何一项或多项规定，根据任何适用法律或法规在任何一方面被裁定为无效、不合法或不可执行，本协议其余条款的有效性、合法性和可执行性并不因此在任何方面受影响或受损害。各方应通过诚意磋商，努力以有效的条款取代那些无效、不合法或不可执行的条款，而该等有效的条款所产生的经济效果应尽可能与那些无效、不合法或不可执行的条款所产生的经济效果相似。

5.8 进一步保证

每一方同意及时签署履行或执行本协议规定和目的合理所需或可行的文件并进行履行或执行本协议规定和目的合理所需或可行的进一步行动。

5.9 弃权/修改

有权放弃本协议任何规定的一方必须签署书面文据，方可放弃有关的规定。只有各方签署书面文据才能修改本协议，但对于应当由一方履行的承诺或应当由一方作出的陈述和保证的修改，只有获得该方同意方可修改。一方未能或延迟行使本协议项下的任何权利、权力或补救措施不应视为弃权，一次行使或部分行使有关权利、权力或补救措施不应排除进一步行使上述权利、权力或补救措施或者行使任何其他权利、权力或补救措施。在不限制上述规定的情况下，一方放弃追究任何其他方对某项规定的违约不应被视为其以后也将放弃追究对该项规定或任何其他规定的违约。

5.10 实际履行

各方同意，如果一方违反本协议，则其他守约方有权要求违约方实际履行其违反的义务。该等救济是对法律和本协议项下所有其他救济的补充。

5.11 适用法律

本协议的订立、效力、解释、履行、修改和终止以及争议的解决均适用中国境内法律。

5.12 争议解决

因本协议的签署、效力、解释和履行所产生的一切争议，本协议各方应首先通过友好协商方式解决，若各方不能通过友

好协商解决争议，任何一方可选择向被告所在地有管辖权的人民法院提起诉讼。

5.13 本协议所称的“以上”、“以下”、“以内”，包括本数；所称的“不满”、“超过”、“过”和“低于”，不包括本数。

5.14 本协议所称“关联交易”是指与中国宝武钢铁集团有限公司及其下属子公司发生的交易。

5.15 复本

本协议以中文书写，正本一式三份，每一方各持一份，每份具有同等法律效力。

（以下无正文，下接签署页）

（本页无正文，本页为《关于马鞍山钢铁有限公司之股东协议》之签署页）

兹此，各方已亲自或促使其合法授权代表于本协议首部所列之日期签署了本协议，以昭信守。

宝山钢铁股份有限公司（盖章）

法定代表人或授权代表签字：

（本页无正文，本页为《关于马鞍山钢铁有限公司之股东协议》之签署页）

兹此，各方已亲自或促使其合法授权代表于本协议首部所列之日期签署了本协议，以昭信守。

马鞍山钢铁股份有限公司（盖章）

法定代表人或授权代表签字：

（本页无正文，本页为《关于马鞍山钢铁有限公司之股东协议》之签署页）

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马鞍山钢铁有限公司（盖章）

法定代表人或授权代表签字：

MESSIS 大有融資

Strictly Private & Confidential

20 May 2025

Maanshan Iron & Steel Company Limited
No. 8 Jiu Hua Xi Road
Maanshan City
Anhui Province

Dear Sirs,

Re: Maanshan Iron & Steel Company Limited (the "Company", together with its subsidiaries, the "Group") – MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT

We refer to the circular of the Company (the "**Circular**") dated 20 May 2025 relating to the captioned matter. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, we have given and have not withdrawn our written consent to the issue of the Circular, with the inclusion of our letter and opinion and the reference to our name and opinions in the form and context in which they appear in the Circular.

As at the Latest Practicable Date, we had no direct or indirect interest in any assets which had been since 31 December 2024, being the date to which the latest audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, we did not have any shareholding, directly and indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Yours faithfully,
For and on behalf of
Messis Capital Limited

____
Angus Au Yeung
Managing Director

大有融資有限公司 MESSIS CAPITAL LIMITED
電話 Tel : (852) 2525 3103 傳真 Fax: (852) 2525 9980
香港灣仔軒尼詩道 303 號協成行灣仔中心 13 樓 1303 室 Room 1303, 13/F, OfficePlus @Wan Chai,, No.303 Hennessy Road,, Wan Chai, Hong Kong

资产评估机构声明
Asset Appraisal Agency Statement

本资产评估机构及签字资产评估师已阅读马鞍山钢铁股份有限公司（“公司”）于2025年5月20日发出的通函（“该通函”），确认通函内容与本机构出具的资产评估报告无矛盾之处。我们再次同意并确认本机构及签字资产评估师对在上述通函中引用的资产评估报告的内容无异议。除文义另有所指外，本同意书所用词汇与该通函所界定者具有相同涵义。

The asset appraisal agency (the “Agency”) and the undersigned valuer (the “Valuer”) have read the circular issued by Maanshan Iron & Steel Company Limited （“Company”） dated 20 May 2025 (the “Circular”) and confirm that there is no inconsistency between the Circular and the Valuation Report issued by the Agency. We once again consent and confirm that the Agency and the Valuer have no objection to the content of the Valuation Report quoted by the Circular. Unless the context otherwise requires, capitalized terms used in this consent letter shall have the same meanings as those defined in the Circular.

我们还将进一步同意将本函件按该通函附录四“11.展示文件”一节所述公开展开。

We further consent to this letter being made available for public display as described in the section headed" 11. DOCUMENTS AVAILABLE FOR INSPECTION" at Appendix IV to the Circular.

We hereby confirm that we:

我方在此确认：

(i) had no shareholding in any member units of the Company and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member units of the Company;

未持有公司任何成员单位的股权,亦无任何权利(无论是否具有法律强制力)认购或提名人士认购公司任何成员单位的股票;

(ii) had no direct or no direct interest in any assets which had been, since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member units of the Company, or were proposed to be acquired, disposed of by, or leased to any member units of the Company;

自2024年12月31日(公司发布最近一期经审计的合并财务报表之日)以来,未从

被收购、出售或租赁给公司任何成员单位的任何资产中或拟获得直接或间接权益；

(iii)have given and have not withdrawn our written consent to the issue of the Circular with the inclusion of our valuation report and the reference to our name included therein in the form and context in which it appears; and

已出具且未撤回我方对已发出该通函的书面同意意见,其中包括在我方评估报告中 以任何格式和内容提及我方的名称;及

(iv)have given and have not withdrawn our written consent to a copy of this letter and our valuation report being made available for display on the Hong Kong Stock Exchange's website and the Company's own website in accordance with Appendix IV and Appendix V to the Circular.

已出具且未撤回我方根据该通函附录四及附录五为登载于香港联交所网站及公司本 身网站展示出具的本函件之副本及评估报告的书面同意。

Except as stated above, our Valuation Report is not to be quoted or referred to, in whole or in part, nor shall our Valuation Report or this consent letter be used for any other purpose, without our prior written consent.。

除上述规定外，未经我方事先书面同意，不得全部或部分引用我方评估报告或本同意书，也不得用于其他目的。

北京中企华资产评估有限责任公司

CHINA ENTERPRISE APPRAISALS Co., Ltd.

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
1 East Chang An Avenue
Dongcheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
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Fax 传真: +86 10 8518 8298
ey.com

Consent letter

19 May 2025

The Directors
Maanshan Iron & Steel Company Limited

Dear Sirs,

Maanshan Iron & Steel Company Limited (the "Company") and its subsidiaries (the "Group")

We refer to the circular of the Company dated 19 May 2025 (the "Circular") in connection with the major and connected transactions-equity transfer agreement and capital increase agreement, a final proof of which is attached.

We hereby consent to our letter dated 19 May 2025 on the sufficiency of working capital of the Group, and the references to our name in the form and context in which they are included.

This letter is solely being issued in connection with the issuance of the Circular and not for any other purpose.

Yours faithfully,

Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
1 East Chang An Avenue
Dongcheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
中国北京市东城区东长安街1号
东方广场安永大楼16层
邮政编码: 100738

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Fax 传真: +86 10 8518 8298
ey.com

Letter on working capital statement

19 May 2025

The Board of Directors
Maanshan Iron & Steel Company Limited

Dear Sirs,

Maanshan Iron & Steel Company Limited ("the Company")

Directors' statement of sufficiency of working capital

We refer to the board memorandum dated 19 May 2025 which has been prepared by the directors of the Company in connection with their statement relating to the sufficiency of working capital of the Company and its subsidiaries (collectively referred to as "the Group") ("the Statement") contained in the circular of the Company dated 19 May 2025 ("the Circular").

Directors' responsibilities

The Company's directors are solely responsible for the Statement and the board memorandum, including the working capital forecast therein, in support of the Statement.

Our independence and quality management

We have complied with the independence and other ethical requirements of the *China Code of Ethics for Certified Public Accountants* issued by the Chinese Institute of Certified Public Accountants ("CICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies China Standard on Quality Management No. 5101 *Engagement Quality Management* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the Statement and to report our opinion to you.

We conducted our engagement in accordance with the terms of our engagement letter dated 14 May 2025 and Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether the Company's directors have made the Statement, in the form and context in which it is made, after due and careful enquiry. Our work was limited primarily to making enquiries of the Company's management, considering the analyses and assumptions on which the working capital forecast is based and applying analytical procedures to financial data in the working capital forecast. It is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

On the basis of our procedures, we report that:

(a) in our opinion, the Statement has been made by the directors of the Company after due and careful enquiry; and

(b) the persons or institutions providing finance have confirmed in writing the existence of such facilities as of 30 April 2025 that are shown to be required by the Group's working capital forecast.

Other matters

Without qualifying our opinion, we draw your attention to the sensitivity factors set out in Appendix II of the board memorandum.

Furthermore, the Statement is based on the Group's forecasts and estimation of future transactions and cash flows and other assumptions about the future. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.

We make no representation regarding the sufficiency for your purposes of the aforementioned procedures.

Intended users and purpose

This letter has been prepared in connection with the issue of the Circular. It should not be relied upon by any party for any other purpose and we expressly disclaim any liability or duty to any party in this respect. It should not be disclosed, referred to or quoted in whole or in part without our prior written consent, nor is it to be filed with or referred to in whole or in part in the Circular or any other document, except a copy of this letter may be made available to The Stock Exchange of Hong Kong Limited.

Yours faithfully,

Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Maanshan Iron & Steel Company Limited, you should at once hand this circular and form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

MA STEEL

馬 鞍 山 鋼 鐵 股 份 有 限 公 司

Maanshan Iron & Steel Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

(1) REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY FOR THE YEAR 2024;
(2) THE PROPOSED AMENDMENTS IN RELATION TO THE ARTICLES OF ASSOCIATION;
(3) MAJOR AND CONNECTED TRANSACTIONS-EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT; AND
(4) NOTICE OF ANNUAL GENERAL MEETING

MESSIS 大有融資

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 1 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 45 of this circular.

Notice for convening 2025 annual general meeting (the "**AGM**") of Maanshan Iron & Steel Company Limited (the "**Company**") to be held at the Magang Office Building, No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC on 20 June 2025 was issued on 20 May 2025.

Whether or not you intend to attend the AGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the Company's registered office (in the case of holders or proxies of domestic Shares) at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC or to the H Share registrar and transfer office Computershare Hong Kong Investor Services Limited (in the case of holders or proxies of H Shares) at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in any event not later than 24 hours before the time appointed for such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the said meeting or any adjournment thereof.

20 May 2025

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company to be held on Friday, 20 June 2025 to approve the resolutions in relation to, among other things, the remuneration for Directors, supervisors and senior management of the Company for the year 2024, the resolution on proposed amendments in relation to the Articles of Association, and the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase)
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Articles of Association"	the articles of association of the Company
"Baosteel"	Baoshan Iron & Steel Co., Ltd.*, a joint stock limited company incorporated in the PRC
"Board"	the board of the Directors of the Company
"Capital Increase"	the capital contribution of RMB3.861 billion by Baosteel into the Target Company pursuant to the Capital Increase Agreement, including RMB266 million as newly increased registered capital of the Target Company and RMB3.595 billion as capital reserve of the Target Company
"Capital Increase Agreement"	the Shareholders' Agreement regarding Maanshan Iron & Steel Limited Company entered into by the Company, Baosteel and the Target Company on 17 April 2025, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion to the Target Company, of which RMB266 million is used as newly increased registered capital of the Target Company and RMB3.595 billion is used as capital reserve of the Target Company
"Company"	Maanshan Iron & Steel Company Limited (馬鞍山鋼鐵股份有限公司), a joint stock limited company incorporated in the PRC, shares of which are listed on the Stock Exchange (Stock Code: 323)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"China Baowu"	China Baowu Steel Group Corporation Limited, a limited company incorporated in the PRC and a pilot enterprise of state-owned capital investment company which is 90% controlled and owned by the State-owned Assets Supervision and Administration Commission of the State Council
"China Baowu Group"	China Baowu and its subsidiaries (excluding the Group)
"controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Equity Transfer Agreement"	the Equity Transfer Agreement regarding Maanshan Iron & Steel Limited Company entered into between the Company and Baosteel and the Target Company on 17 April 2025, pursuant to which the Company agreed to transfer the Target Equity Interest held by the Company to Baosteel and Baosteel agreed to acquire the Target Equity Interest
"Equity Transfer"	transfer of 35.42% equity interest in the Target Company held by the Company to Baosteel under the Equity Transfer Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"H Shares"	the foreign shares in the share capital of the Company, with a nominal value of RMB1.00 per share, which are listed on the Hong Kong Stock Exchange, and subscribed for and traded in Hong Kong dollars
"Independent Board Committee"	a board committee comprising all the Independent Non-executive Directors of the Company, which will, among other things, consider and advise the Independent Shareholders on the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase)

"introduction of Baoshan Iron & Steel Co., Ltd. to invest in the shares of Maanshan Iron & Steel Limited Company"	the introduction of Baoshan Iron & Steel Co., Ltd. to invest in the shares of Maanshan Iron & Steel Limited Company by way of the Equity Transfer Agreement regarding Maanshan Iron & Steel Limited Company and the Capital Increase Agreement regarding Maanshan Iron & Steel Limited Company entered into by the Company, Baoshan Iron & Steel Co., Ltd.* and Maanshan Iron & Steel Limited Company, and the transactions contemplated under such agreements
"Independent Financial Adviser" or "Messis Capital"	Messis Capital Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), has been appointed as an independent financial adviser and will advise the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase)
"Independent Non-executive Directors"	independent non-executive Directors of the Company
"Independent Shareholders"	Shareholders of the Company other than the controlling Shareholder and its associates
"Independent Valuer"	Beijing China Enterprise Appraisals Co. Ltd.*, an independent third party independent of the Group and its connected persons
"Latest Practicable Date"	15 May 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"percentage ratios"	has the meaning ascribed to it in Chapter 14 of the Listing Rules
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"Shareholder(s)"	holder(s) of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Maanshan Iron & Steel Limited Company (馬鞍山鋼鐵有限公司), a limited company incorporated in the PRC, and is a wholly-owned subsidiary of the Company as of the date of this circular
"Target Equity Interest"	35.42% equity interest in the Target Company to be transferred by the Company pursuant to the Equity Transfer
"Transition Period"	the period from (but excluding) the Valuation Reference Date to (and including) the Completion Date
"Transfer Consideration"	the total consideration of RMB5.139 billion payable by Baosteel to the Company for the Equity Transfer, and the above Transfer Consideration is ultimately determined on the basis of the appraised value of the net assets of the Target Company as filed by China Baowu Group
"Valuation Reference Date"	28 February 2025, the reference date for assessing the market value of the entire equity interest of the Target Company
"Valuation Report"	the valuation report prepared by the Independent Valuer in connection with the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) pertaining to the Target Company with 28 February 2025 as the Valuation Reference Date
"%"	per cent

馬 鞍 山 鋼 鐵 股 份 有 限 公 司

MA STEEL

Maanshan Iron & Steel Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

Executive Directors:
Jiang Yuxiang *(Chairman)*
Mao Zhanhong *(Vice Chairman)*
Zhang Wenyang

Independent Non-executive Directors:
Guan Bingchun
He Anrui
Qiu Shengtao
Zeng Xiangfei

Registered office:
No. 8 Jiu Hua Xi Road
Maanshan City
Anhui Province
the PRC

Office address:
No. 8 Jiu Hua Xi Road
Maanshan City
Anhui Province
the PRC

20 May 2025

Dear Sir or Madam,

(1) REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY FOR THE YEAR 2024;
(2) THE PROPOSED AMENDMENTS IN RELATION TO THE ARTICLES OF ASSOCIATION;
(3) MAJOR AND CONNECTED TRANSACTIONS-EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT; AND
(4) NOTICE OF ANNUAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcement of the Company dated 17 April 2025 in relation to the connected and major transactions – Equity Transfer Agreement and Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase).

The purpose of this circular is to provide you with, among other things, (i) the remuneration for Directors, supervisors and senior management of the Company for the year 2024; (ii) the proposed amendments in relation to the Articles of Association; (iii) the details of the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) and other information as required by the Listing Rules; (iv) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders; and (vi) a notice convening the AGM, to enable you to make an informed decision on whether to vote for or against those resolutions at the AGM.

2. REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY FOR THE YEAR 2024

According to the Administrative Measures for Performance and Remuneration of Directors, Supervisors and Senior Management Personnel of Maanshan Iron & Steel Company Limited and other relevant systems, the total remuneration (before tax) actually paid by the Company to Directors, supervisors and senior management for the year 2024 is presented as follows:

Unit: RMB0'000 (tax inclusive)

Name	Position	Whether received emoluments from the Company	Term of office as Directors, supervisors and senior management for the year 2024	Salaries and fixed bonuses	Bonus and profit sharing	Pension scheme contributions	Total remuneration	Whether received emoluments from the Company's related parties
Jiang Yuxiang	Chairman	No	2024.05.29–2024.12.31	–	–	–	–	Yes
Mao Zhanhong	Vice Chairman	No	2024.01.01–2024.12.31	–	–	–	–	Yes
Zhang Wenyang	Director	Yes	2024.09.25–2024.12.31	22.65	0.63	3.68	26.96	No
	General Manager		2024.07.18–2024.12.31					

Name	Position	Whether received emoluments from the Company	Term of office as Directors, supervisors and senior management for the year 2024	Salaries and fixed bonuses	Bonus and profit sharing	Pension scheme contributions	Total remuneration	Whether received emoluments from the Company's related parties
Guan Bingchun	Independent Director	Yes	2024.01.01–2024.12.31	15.00	0.00	0.00	15.00	No
He Anrui	Independent Director	Yes	2024.01.01–2024.12.31	15.00	0.00	0.00	15.00	No
Qiu Shengtao	Independent Director	Yes	2024.01.01–2024.12.31	15.00	0.00	0.00	15.00	No
Zeng Xiangfei	Independent Director	Yes	2024.09.25–2024.12.31	3.75	0.00	0.00	3.75	No
Hong Gongxiang	Independent Supervisor	Yes	2024.01.01–2024.12.31	10.00	0.00	0.00	10.00	No
Wan Tingting	External Supervisor	No	2024.11.27–2024.12.31	–	–	–	–	Yes
Geng Jingyan	Employee Supervisor	Yes	2024.01.01–2024.12.31	16.42	12.48	6.13	35.03	No
Fu Ming	Deputy General Manage	Yes	2024.01.01–2024.12.31	54.11	35.71	8.54	98.36	No
He Hongyun	Secretary of the Board	Yes	2024.07.18–2024.12.31	10.00	22.95	3.41	36.35	No
Ding Yi	Chairman (Resigned)	No	2024.01.01–2024.05.29	–	–	–	–	Yes
Ren Tianbao	Director (Resigned) General Manager (Resigned) Secretary of the Board (Resigned)	Yes	2024.01.01–2024.07.18	38.68	0.00	4.87	43.54	No

Name	Position	Whether received emoluments from the Company	Term of office as Directors, supervisors and senior management for the year 2024	Salaries and fixed bonuses	Bonus and profit sharing	Pension scheme contributions	Total remuneration	Whether received emoluments from the Company's related parties
Liao Weiquan	Independent Director (Resigned)	Yes	2024.01.01–2024.09.25	11.25	0.00	0.00	11.25	No
Ma Daoju	Chairman of the Supervisory Committee (Resigned)	No	2024.01.01–2024.10.30	–	–	–	–	Yes

Note 1: Mr. Zhang Wenyang, Mr. Ren Tianbao and Mr. Fu Ming are directly managed by China Baowu and their related annual remuneration will ultimately be honoured and paid in accordance with the standards approved by China Baowu. The appraisal remuneration for the year 2024 will be honoured and paid in 2025 upon completion of the corresponding appraisal and approval and will be reported separately to the Board for consideration.

Note 2: The total remuneration of Mr. Fu Ming, the deputy general manager, for the year 2024 included a term incentive of RMB145,100 for the years 2021–2023; other employees disclosed their remuneration were not granted term incentives during their term of office due to the timing of their employment.

Note 3: The annual remunerations received by the independent Directors and independent supervisors of the tenth session of the Board from the Company were RMB150,000 (tax inclusive) and RMB100,000 (tax inclusive), respectively, which were honoured and disclosed according to their term of office, and the personal income tax for that was withheld by the Company.

3. THE PROPOSED AMENDMENTS IN RELATION TO THE ARTICLES OF ASSOCIATION

On 8 October 2024, the Resolution in Relation to Repurchase and Cancellation of Certain Restricted Shares was considered and approved by the Board of the Company. According to the 2021 Restricted A Share Incentive Scheme, in case of the Company's failure to pass the 2023 performance appraisal objectives, all Restricted Shares corresponding to the 2023 appraisal year shall be repurchased and canceled, which amounted to 22,783,200 Shares. In addition, 16 Participants ceased to qualify as Participants as they no longer work in the Company, the Restricted Shares held by them which have been granted but not yet unlocked will be repurchased and canceled by the Company, which amounted to 2,050,200 Shares. In total, the Company repurchased and canceled 24,833,400 Restricted Shares.

As such, the Company proposes to make corresponding amendments to the existing Articles of Association of the Company, the details of which are as follows:

No.	Current contents of the Articles	Contents of the Articles after Proposed Amendments
1	**Article 16** As approved by the Company's supervising authorities mandated by the State Council, the total number of ordinary shares issued by the Company is 7,775,731,186 shares. Upon the repurchase and cancellation of 28,793,200 shares in 2023, the total number of ordinary shares of the Company is ~~7,746,937,986~~ shares.	**Article 16** As approved by the Company's supervising authorities mandated by the State Council, the total number of ordinary shares issued by the Company is 7,775,731,186 shares. Upon the repurchase and cancellation of 28,793,200 shares in 2023 **and the repurchase and cancellation of 24,833,400 shares in 2025**, the total number of ordinary shares of the Company is **7,722,104,586** shares.
2	**Article 17** The share capital structure of the Company is: ~~7,746,937,986~~ ordinary shares, among which ~~6,014,007,986~~ shares are Domestic Shares, representing ~~77.63~~% of the total ordinary shares of the Company, and 1,732,930,000 shares are Overseas-Listed Foreign Shares, representing ~~22.37~~% of the total ordinary shares issued by the Company.	**Article 17** The share capital structure of the Company is: **7,722,104,586** ordinary shares, among which **5,989,174,586** shares are Domestic Shares, representing **77.56**% of the total ordinary shares of the Company, and 1,732,930,000 shares are Overseas-Listed Foreign Shares, representing **22.44**% of the total ordinary shares issued by the Company.
3	**Article 18** The registered capital of the Company is RMB~~7,746,937,986~~.	**Article 18** The registered capital of the Company is RMB**7,722,104,586**.

The proposed amendments to the existing Articles of Association of the Company are subject to be considered and approved by the Shareholders of the Company by way of a special resolution at the AGM.

4. CONNECTED AND MAJOR TRANSACTIONS UNDER THE EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT

EQUITY TRANSFER AGREEMENT

On 17 April 2025, the Company entered into the Equity Transfer Agreement with Baosteel and the Target Company, the principal terms of which are set out below:

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

The Company agreed to transfer the Target Equity Interest held by the Company to Baosteel, and Baosteel agreed to acquire the Target Equity Interest at a consideration of RMB5.139 billion.

Assets to be Transferred

The details of the Target Equity Interest are set out in the "INFORMATION ON THE TARGET COMPANY" in this circular.

Transfer Consideration

The Transfer Consideration for the Target Equity Interest is RMB5.139 billion, which is determined by the Company and Baosteel with reference to (i) the net asset value of the Target Company as assessed by the Independent Valuer (RMB14.506 billion) × the proportion of equity interest (35.42%) to be transferred as RMB5.139 billion on the Valuation Reference Date according to the Valuation Report; and (ii) appropriate rounding adjustments, after arm's length negotiation. The above Transfer Consideration is ultimately determined on the basis of the appraised value of the net assets of the Target Company.

The Valuation Report adopted the asset-based approach after comparing common valuation methods, including the asset-based approach, income approach, and market approach, for the following reasons:

(1) the income approach determines value by capitalizing or discounting the expected earnings of the subject asset. The steel industry is currently experiencing sustained declines in profitability due to macroeconomic volatility, slow demand recovery, and intensifying supply-demand imbalances. Since the income approach relies on long-term, stable cash flow projections, factors such as the industry's long investment cycles, macroeconomic policies, industry trends, and the efficient utilization of assets may lead to deviations in the valuation results. Therefore, the income approach is not the most appropriate method;

(2) the market approach determines the value of the subject asset by comparing it with comparable references and basing the valuation on their market prices. However, due to the scarcity of comparable transactions with a combination of similar asset scale, product structure, and competitive dynamics as the Target Equity Interest, the market approach is not the most appropriate method; and

(3) the asset-based approach determines the current value of the subject asset by a combination of calculating the full cost required to replace or reconstruct it in its entirety under realistic conditions, adjusted for depreciation and obsolescence. Since asset-based approach reflects the replacement value of the Target Company's assets as of the Valuation Reference Date, and given that acquisition and construction costs are relatively stable. Therefore, the asset-based approach is deemed the most appropriate valuation method.

The valuation is subject to certain assumptions, including: (i) the Target Equity Interest is assumed to be in a transaction process, and the Independent Valuer has estimated its value by simulating market conditions based on the transaction terms of the Target Equity Interest; (ii) the Target Equity Interest, whether already on the market or intended to be transacted, is presumed to be traded between parties of equal standing, with both sides having sufficient access to market information and time, and acting voluntarily and rationally to assess the Target Equity Interest's function, utility, and transaction price before making informed judgments; (iii) the Target Equity Interest will continue to be used in its current manner and for its existing purpose; and (iv) no other material changes in factors or circumstances are anticipated, etc.

An extract of the Target Company's Valuation Report, containing (among other things) the valuation conclusion, key assumptions, key quantitative valuation inputs and calculation methodology of the valuation, is set out in Appendix V to this circular, so as to avoid causing any confusion to Shareholders.

Based on the asset-based approach and using 28 February 2025 as the Valuation Reference Date, the total assets of Target Company had a carrying value of RMB53,897.7743 million with an assessed value of RMB58,131.7820 million, reflecting an appreciation of RMB4,234.0077 million and an appreciation rate of 7.86%. The total liabilities had a carrying value of RMB43,820.377 million, with an assessed value of RMB43,625.6758 million, reflecting a devaluation of RMB194.7012 million and a devaluation rate of 0.44%. The total equity value of Shareholders had a carrying value of RMB10,077.3973 million and an assessed value of RMB14,506.1062 million, written formally as RMB FOURTEEN BILLION FIVE HUNDRED SIX MILLION ONE HUNDRED SIX THOUSAND TWO HUNDRED Only), representing an appreciation of RMB4,428.7089 million, and the appreciation rate is 43.95%.

Payment Terms

Within 10 business days after the satisfaction (or written waiver by Baosteel) of the relevant preconditions for payment under the Equity Transfer Agreement, Baosteel shall pay 50% of the Transfer Consideration (the "**First Equity Interest Transfer Payment**"). Subject to the satisfaction of the remaining preconditions for payment, and in any event no later than 180 days after the completion of the First Equity Interest Transfer Payment, Baosteel shall pay the remaining 50% of the Transfer Consideration (the "**Second Equity Interest Transfer Payment**"). If the Completion Date is before 30 June 2025, the Second Equity Interest Transfer Payment shall be paid no later than 31 December 2025.

Baosteel shall pay the entire Transfer Consideration in its own funds, to the bank account designated by the Company.

There is no pre-condition for Baosteel, the Company and the Target Company to enter into the Capital Increase Agreement and the Capital Increase. The pre-conditions for payment of consideration of the Equity Transfer Agreement are set out below:

"Baosteel shall pay its corresponding amount of consideration for the first equity transfer to the bank account opened by the Company on the premise that the following pre-conditions (the "**Conditions for Payment of Consideration for the First Equity Transfer**") are fully realized or exempted by Baosteel:

(1) the Company has fulfilled all its capital injection obligations to the Target Company;

(2) Baosteel, the Target Company and the Company have completed the necessary internal review procedures for this investment and the information disclosure of listed company;

(3) the Equity Transfer has fulfilled and obtained the necessary approval procedures for state-owned assets, audit/evaluation procedures for state-owned assets and the authorization, approval and filing of any other government department or the consent of relevant third parties;

(4) Baosteel and the Company have entered into the Capital Increase Agreement, related to the Equity Transfer and all other transaction documents necessary for this transaction;

(5) as of the payment of the First Equity Interest Transfer Payment, the Target Company has not undergone significant adverse changes, including a significant decrease in annual production (an annualized decrease of more than 50%).

Baosteel shall pay the corresponding amount of consideration for the second phase of equity transfer to the bank account opened by the Company on the condition that the following pre-conditions (the "**Conditions for Payment of Consideration for the Second Equity Transfer**"):

(i) the conditions precedent to the Conditions for Payment of Consideration for the First Equity Transfer continue to be met;

(ii) the Target Company has completed the handling, transfer and undertaking of licenses, capacity indicators, energy consumption indicators and other related qualifications related to production and operation."

As the Equity Transfer and the Capital Increase have been aggregated and inter-conditional, the above-mentioned pre-conditions of payment are applicable to both the Equity Transfer and the Capital Increase. Concerning the effectiveness of the Capital Increase Agreement and the Equity Transfer Agreement, having considered the current terms agreed by the parties (i.e. the respective agreement shall take effect upon being signed and sealed by the parties to the agreement or the date when they are approved by the Shareholders of the Company at the general meeting, whichever is later), both agreements will be effective when they are approved by the Shareholders of the Company at the general meeting.

As at the Latest Practicable Date, item (1) of the above-mentioned pre-conditions of payment has been fulfilled, and items (2) to (5) will be fulfilled. Accordingly, the Equity Transfer and Capital Increase are expected to be completed on or before 31 December 2025.

Completion

Completion Date means the last calendar day of the month in which the Equity Transfer Agreement takes effect. Changes in assets during the Transition Period shall be enjoyed or borne by the original Shareholder through a special dividend distribution.

Under the Equity Transfer Agreement, during the Transition Period, any increase in the Target Company's net assets from profits will be distributed as a special dividend to the Company proportional to such increase. Conversely, any decrease in net assets from losses will reduce the Company's special dividend on dollar-for-dollar basis from the distributable profits (if any) of the Target Company. In any event, there will be no adjustments to the Transfer Consideration.

As at the latest practicable date, the distributable profits of the Target Company are RMB46.2871 million.

Within 10 business days after the Completion Date and the date on which Baosteel has paid the First Equity Interest Transfer Payment, the Target Company shall complete all required procedures for the registration of changes to its market entity information in relation to this equity transfer, including the corresponding amendments to its articles of association and filing of changes to its directors, supervisors, and senior management.

Effectiveness of the Equity Transfer Agreement

The Equity Transfer Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by Shareholders of the Company at the general meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Equity Transfer Agreement.

CAPITAL INCREASE AGREEMENT

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, the principal terms of which are set out below:

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion in the Target Company, of which RMB266 million as the newly increased registered capital of the Target Company, and RMB3.595 billion as the capital reserve of the Target Company.

Payment terms

With reference to the assessed net asset value of the Target Company as set out in the Valuation Report, Baosteel shall conduct a simultaneous capital increase into the Target Company on the Completion Date of the Capital Increase Agreement. The aforementioned capital increase shall be subscribed by Baosteel in cash, with a total subscription amount of RMB3.861 billion, payable in full within 180 days after the effective date of the Capital Increase Agreement. If the effective date of the Capital Increase Agreement is 18 June 2025 (being the date of the upcoming general meeting), then the Completion Date of the Capital Increase Agreement occurs on 30 June 2025 (being the last calendar day of the month of the effective date), and the latest payment deadline shall be no later than 31 December 2025.

Effectiveness of the Capital Increase Agreement

The Capital Increase Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by the Shareholders of the Company at the general meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Capital Increase Agreement.

Shareholding Structure

Unit: RMB'00 million

	Before completion of the Equity Transfer and the Capital Increase			Immediately after completion of the Equity Transfer and the Capital Increase	
Shareholders	**Registered and paid-up capital**	**Equity percentage**	**Change in subscribed registered capital**	**Registered and paid-up capital**	**Equity percentage**
The Company	10	100%	-3.54	6.46	51%
Baosteel	0	0	6.20	6.20	49%
Total	10	100%	2.66	12.66	100%

Notes:

(1) The percentage figures in the above table have been rounded and adjusted. Any discrepancies between the totals and the arithmetic sum of the numbers listed are due to rounding.

(2) As at the date of this circular, the Company has paid its capital contribution, and Baosteel has not.

The amount of Capital Injection has been determined based on the appraised value of the Target Company in the Valuation Report issued by the Independent Valuer, to ensure fair transaction pricing. In addition, according to the Valuation Report, the appraised value of the Target Company on the Valuation Reference Date was assessed to be RMB14.506 billion according to the asset-based approach, and the original registered capital was RMB1 billion. The corresponding value of each registered capital is RMB14.506, and the total capital increase of Baosteel is RMB3.861 billion. The total capital increase is divided by the value of each registered capital, and the registered capital corresponding to Baosteel's capital increase should be RMB266 million.

On the Completion Date of the Equity Transfer Agreement, the Company transferred its 35.42% equity of the Target Company (before equity dilution) to Baosteel in accordance with the Equity Transfer Agreement. On the same day, Baosteel shall simultaneously increase the capital of the Target Company with RMB3.861 billion, of which RMB266 million would be new registered capital, aiming to increase the registered capital of the Target Company to RMB1.266 billion. Baosteel will hold about 21% of the equity of the Target Company (the new registered capital (RMB266 million) divided by the new total registered capital (RMB1.266 billion), plus about 28% after the completion of the Equity Transfer (the share of this equity transfer (35.42%) multiplied by the original total registered capital (RMB1 billion) divided by the new total registered capital (RMB1.266 billion), and finally achieve 49% equity ratio, with the remaining portion of the capital injection being allocated to the Target Company's capital reserve.

As such, the Company retains the dominant power over daily business decisions by virtue of 51% absolute controlling position to ensure the strategic coherence of Target Company.

RMB266 million would be used by the Target Company to increase its registered capital to RMB1.266 billion, whereas RMB3.595 billion is used as capital reserve, specifically as share premium. 50% of the capital contribution received will be used for new project construction (including green production upgrades and high-value product development), and the rest will be used for daily production and operations.

The Capital Increase Agreement is a benchmark layout under the deep integration of the steel industry and the national "double carbon" (雙碳) strategy: by introducing Baosteel's world-leading technologies (such as hydrogen metallurgy and high-end automotive panels) and capital resources, the Company broke through the bottleneck of green transformation and product upgrading in one fell swoop, while Baosteel leveraged the Company's location production capacity to consolidate market control in the Yangtze River Delta; the two parties use the Target Equity as a link to achieve governance optimization through a 51%-49% check and balance design (the Company leads operations), and rely on RMB3.861 billion for investment and construction of new projects, as well as adjusting the capital structure and reducing the asset-liability ratio. The Capital Injection not only responds to the PRC's policy requirements to increase industry concentration, but also builds a moat with "technology sharing plus capital synergy plus regional linkage". Under the cyclical fluctuations in the steel industry and the impact of carbon tariffs, it locks in long-term competitive advantages for both parties and achieves a paradigm transition from scale expansion to high-quality development.

In summary, as the amount of Capital Injection, proportionate to the increase in the Target Company's registered capital, is fairly determined, Capital Increase Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC on 23 December 2024. As of the date of this circular, it has a registered and paid-up capital of RMB1 billion and is a wholly-owned subsidiary of the Company. The Target Company is principally engaged in steel manufacturing which specifically includes steel and iron smelting; steel rolling and processing; coking; production and sales of steel products such as high-quality special steel, plate and strip products and others; and production and sales of other steel products and wheel and axle products.

The financial information of the Target Company for the periods indicated below is as follows:

The audited financial data of the Target Company prepared in accordance with Accounting Standards for Business Enterprises of the PRC, for the two months ended 28 February 2025:

	2 months ended 28 February 2025 *(Note 1)* *RMB 0'000* **(audited)**
Total assets	5,389,777.43
Operating revenue	–
Profit before tax (Net loss marked with "-")	–
Profit after tax (Net loss marked with "-")	–

Notes:

(1) The Target Company is a limited liability company incorporated on 23 December 2024 in the PRC and has no operation between 23 December 2024 and 28 February 2025.

(2) The financial data for January-February 2025 presented above has undergone special audit by Mazars Certified Public Accountants LLP* (中審眾環會計師事務所（特殊普通合夥）) and received an unqualified audit opinion.

According to the Valuation Report, the value of the Target Company at the Valuation Reference Date is RMB14.506 billion according to the asset-based approach. Compared with the net assets book value of the Target Company in the audited financial statements as at 28 February 2025, which is RMB10.077 billion, the appraisal value appreciation is RMB4.429 billion. The appraisal value appreciation was mainly for the appraisal value appreciation of land use rights.

Taking into consideration the above, including reviewing the Extract of Valuation Report and the underlying valuation methodology and assumptions, the Board considered that the Transfer Consideration, is fair and reasonable and in the interest of the Company and Shareholder as a whole.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AND THE CAPITAL INCREASE

The Equity Transfer and the Capital Increase will facilitate the Company's capital structure optimization and enhancement of capital strength, and strategically empower the Company's future growth by fundamentally restructuring its financial framework and operational capabilities. By optimizing the capital structure through reduced debt burdens and enhanced equity base, the transactions unlock access to critical funding for priority initiatives including green production upgrades, high-value product development, and the creation of new performance growth opportunities for the Company. Concurrently, the strategic partnership facilitates technology transfers and supply chain synergies that drive cost efficiencies, while the strengthened balance sheet improves creditworthiness to secure favorable financing for long-term projects. This creates a self-sustaining cycle where financial stability fuels strategic investments, which in turn generate higher-margin returns to reinforce competitive positioning and sustainable expansion.

The investor introduced through these transactions, Baosteel, is a globally leading modernized steel enterprise with a nationwide and worldwide marketing and processing service network. Baosteel demonstrates high synergies with the Company's subsidiary, namely the Target Company, in terms of both products and geographical coverage. Consequently, the Equity Transfer and the Capital Increase will enable full utilization of Baosteel's systemic advantages, market influence, technological leadership, talent resources and synergistic expertise to drive innovation in the Target Company's management, business and other models. This will achieve synergistic development between Baosteel and the Target Company, enhance the Target Company's core competitiveness and comprehensive capabilities, accelerate the adjustment and implementation of the Company's new round of strategic planning, and better execute the Company's overall strategy, thereby benefiting the Company's long-term compliance and high-quality development.

Upon completion of the Equity Transfer and the Capital Increase, the Target Company will remain a subsidiary of the Company, with its financial results continuing to be consolidated in Company's consolidated financial statements. These transactions will not adversely affect the Company's business development or profitability. There will be no impairment of the legitimate rights and interests of the Company and its Shareholders, and the transactions align with the long-term interests of both the Company and its Shareholders.

FINANCIAL EFFECT OF THE EQUITY TRANSFER AND CAPITAL INCREASE ON THE GROUP AND USE OF PROCEEDS

Upon completion of the Equity Transfer and Capital Increase, the registered capital of the Target Company will be increased from RMB1 billion to RMB1.266 billion. Upon the completion of the Equity Transfer and the Capital Increase, the Company's interest in the Target Company will decrease from 100% to 51%, resulting in the Target Company transitioning from a wholly-owned subsidiary to a non-wholly-owned subsidiary, whereas the consolidated total assets and net assets of the Group will all be increased by RMB3.861 billion (comprising of the increase in capital reserve of RMB3.595 billion and the increase in register capital of RMB0.266 billion in the Target Company). The Target Company's financial results will continue to be consolidated into the Group's financial statements.

The Group will not recognise related gain at the consolidated statement level due to the Equity Transfer and Capital Increase. The financial effect will be subject to review by the Company's auditors before it can be finalised.

The Group intends to use the proceeds from the transfer of the Target Equity Interest in the following ways: (1) concerning RMB3.861 billion will be injected to the Target Company, 50% of such amount will be used for new project construction (including green production upgrades and high-value product development), and the other half will be used for daily production and operations; (2) concerning RMB5.139 billion entered the Company as equity transfer proceeds, 3% of such amount will be used for the Company's working capital, approximately 37% of such amount will be used for the Company to repay due debts such as notes payable, and the remaining 60% of such amount will be used to invest in strengthening the Company's core productivity and functions, and to cooperate with other sectors in the development of the upstream and downstream of the industrial chain, for the creation of an industrial ecology for the benefit of the Group.

The expected timeline in utilising the proceeds is as follows: in the second half of 2025, the Company will gradually begin to repay the debts of RMB1.9 billion approximately due according to the receipt of funds under the Equity Transfer Agreement, and the time of use of the remaining funds on the respective usage set out above, is expected to be in 2026–2027.

Information on the Contracting Parties

The Company is one of the PRC's largest steel producers and distributors, principally engaged in the manufacturing and sales of steel products.

Baosteel is principally engaged in iron and steel industry, trading, shipping, coal-chemical industry and information services. Baosteel is ultimately beneficially owned by China Baowu.

The Target Company is principally engaged in steel manufacturing which specifically includes steel and iron smelting; steel rolling and processing; coking; production and sales of steel products such as high-quality special steel, plate and strip products and others; and production and sales of other steel products and wheel and axle products. The Target Company is a wholly-owned subsidiary of the Company as at the date of this circular.

APPROVAL BY THE BOARD

In the thirty-seventh meeting of the tenth session of the Board of the Company on 17 April 2025, the Board approved the Equity Transfer Agreement and the Capital Increase Agreement.

Among the Directors attending the abovementioned Board meeting, Mr. Jiang Yuxiang, a Director of the Company, is also a senior management of China Baowu and its subsidiaries, and Mr. Mao Zhanhong is also a senior management of a subsidiary of China Baowu. In view of the good corporate governance, they are deemed to have material interests under the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder, and shall abstain from voting in such relevant Board resolutions. Saved as disclosed above, none of the Directors have or are deemed to have any material interest in the said agreements and transactions contemplated thereunder.

The Directors (excluding the Independent Non-executive Directors, who will opine after considering the advice of the Independent Financial Adviser) are of the view that the terms of the Equity Transfer Agreement and the Capital Increase Agreement were determined after arm's length negotiation, on normal commercial terms, and the contemplated transactions thereunder (namely, the Equity Transfer and the Capital Increase) are both fair and reasonable, are in the interests of the Company and the Shareholders as a whole, although such transactions are not conducted in the ordinary and usual course of business of the Company.

LISTING RULE IMPLICATIONS

As of the date of this circular, the Target Company was a wholly-owned subsidiary of the Company, and China Baowu is the controlling Shareholder of the Company, indirectly holding a total of approximately 53.00% of the Company's Shares. China Baowu directly and indirectly holds approximately 63.10% of the shares in Baosteel. Under the definition of the Listing Rules, Baosteel is a subsidiary of China Baowu and an associate of the Company. Therefore, Baosteel is the connected person of the Company. Accordingly, the Equity Transfer and the Capital Increase constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Equity Transfer and the Capital Increase, the Company's equity interest in the Target Company will be diluted from 100% to 51%. As such, both the Equity Transfer and the Capital Increase will constitute a deemed disposal under Chapter 14 of the Listing Rules. Given that both the Equity Transfer Agreement and the Capital Increase Agreement are entered into within a 12-month period and are inter-conditional, the transactions contemplated thereunder shall be aggregated and treated as a single transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as aggregated) in respect of the transactions contemplated under the Equity Transfer Agreement and the Capital Increase Agreement (namely, the Equity Transfer and the Capital Increase) exceeds 25%, the Equity Transfer and the Capital Increase constitute major transactions of the Company under Chapter 14 of the Listing Rules. Accordingly, the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) are subject to the requirements of reporting, announcement, circular (including independent financial advice) and the approval of Independent Shareholders under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Independent Board Committee has been formed, comprising all Independent Non-executive Directors of the Company, to advise the Independent Shareholders on the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase). Messis Capital has been appointed as the Independent Financial Adviser to provide advice to the Independent Board Committee and the Independent Shareholders as to whether the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and make recommendations as to voting.

5. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The AGM will be held at the Magang Office Building, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC at 1:30 p.m. on Friday, 20 June 2025. At the AGM, various resolutions will be proposed by the Company, including the remuneration for Directors, supervisors and senior management of the Company for the year 2024 and the proposed amendments in relation to the Articles of Association, to consider and, if thought fit, to approve the matters set out in this circular. The notice of the AGM is set out on pages 83 to 85 of this circular.

In accordance with the Listing Rules, the vote of the Independent Shareholders taken at the AGM to approve the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder, will be taken by poll. Any Shareholder and his/her associates with a material interest in the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder will abstain from voting at the AGM. As at the Latest Practicable Date, China Baowu, Baosteel, and their respective associates are all connected persons of the Company, whereas Mr. Jiang Yuxiang, a Director of the Company, is also a senior management of China Baowu and its subsidiaries, and Mr. Mao Zhanhong is also a senior management of a subsidiary of China Baowu. In view of the good corporate governance, they are deemed to have material interests under the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder. Accordingly, China Baowu, Baosteel, the Target Company and their respective associates, as well as Mr. Jiang Yuxiang and Mr. Mao Zhanhong, Directors of the Company, will abstain from voting at the AGM. The result of the vote will be announced after the AGM.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, other than China Baowu, Baosteel, the Target Company and their respective associates and Mr. Jiang Yuxiang and Mr. Mao Zhanhong, Directors of the Company who shall abstain from voting at the AGM in respect of the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase), none of the Directors or Shareholders has a material interest in the resolutions to be proposed at the AGM and no Shareholder is required to abstain from voting on any of the resolutions at the AGM.

A form of proxy for use at the AGM is enclosed with this circular and such form of proxy is also published on the websites of the HKEXnews of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.magang.com.hk). Whether or not you intend to attend the AGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the AGM and voting in person if you so wish.

6. PROCEDURES FOR VOTING AT THE ANNUAL GENERAL MEETING

According to Rule 13.39(4) of the Listing Rules, any vote at the AGM must be taken by poll.

7. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 21 of this circular. The Independent Board Committee, having considered the advice of the Independent Financial Adviser (the full text is set out on pages 22 to 45 of this circular), is of the view that the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM to approve the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder.

The Directors consider that all resolutions to be proposed for consideration and approval by the Shareholders at the AGM are in the best interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the resolutions to be proposed at the AGM as set out in the notice of the AGM.

8. YOUR ATTENTION IS ALSO DRAWN TO THE ADDITIONAL INFORMATION SET OUT IN THE APPENDICES TO THIS CIRCULAR.

Yours faithfully,
By Order of the Board
Maanshan Iron & Steel Company Limited
Jiang Yuxiang
Chairman

馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

20 May 2025

To the Independent Shareholders

Dear Sir or Madam,

Reference is made to the circular issued by the Company to the Shareholders dated 20 May 2025 (the "**Circular**") of which this letter forms a part. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee by the Board to consider the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase), and to advise the Independent Shareholders in this regard. Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in respect of the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase). Details of its advice, together with the principal factors and reasons it has taken into consideration in giving such advice, are set out on pages 22 to 45 of the Circular and the additional information is set out in the appendices thereto.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in their letter of advice, we consider that the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder are not entered into during the usual and ordinary course of business of the Group, but the terms of the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (i) are normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions at the AGM to approve the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder.

Yours faithfully,
The Independent Board Committee

Guan Bingchun	**He Anrui**	**Qiu Shengtao**	**Zeng Xiangfei**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the letter of advice from the Independent Financial Adviser, Messis Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

20 May 2025

Dear Sirs and Madams

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE EQUITY TRANSFER AGREEMENT AND CAPITAL INCREASE AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Maanshan Iron & Steel Company Limited (the "**Company**") in relation to the major and connected transaction ("**Transactions**") contemplated under Equity Transfer Agreement and Capital Increase Agreement (the "**Agreements**"). Details of the Transactions and Agreements are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company to the shareholders dated 20 May 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

On 17 April 2025, the Company entered into the Equity Transfer Agreement with Baosteel and the Target Company, pursuant to which the Company has agreed to transfer the Target Equity Interest held by the Company to Baosteel, and Baosteel has agreed to acquire the Target Equity Interest at a consideration of RMB5.139 billion.

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion in the Target Company, of which RMB266 million is used as the newly increased registered capital of the Target Company, and RMB3.595 billion is used as the capital reserve of the Target Company.

As set out in the Board Letter, as of the date of this circular, the Target Company was a wholly-owned subsidiary of the Company, and China Baowu is the controlling Shareholder of the Company, indirectly holding a total of approximately 53.00% of the Company's shares. China Baowu directly and indirectly holds approximately 63.10% of the shares in Baosteel. Under the definition of the Listing Rules, Baosteel is a subsidiary of China Baowu and a connected person of the Company. Accordingly, the Equity Transfer and the Capital Increase constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Equity Transfer and the Capital Increase, the Company's equity interest in the Target Company will be diluted from 100% to 51%. As such, both the Equity Transfer and the Capital Increase will constitute a deemed Transactions under Chapter 14 of the Listing Rules. Given that both the Equity Transfer Agreement and the Capital Increase Agreement are entered into within a 12-month period and are inter-conditional, the transactions contemplated thereunder shall be aggregated and treated as a single transaction pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As the highest applicable percentage ratio (as aggregated) in respect of the transactions contemplated under the Equity Transfer Agreement and the Capital Increase Agreement (namely, the Equity Transfer and the Capital Increase) exceeds 25%, the Equity Transfer and the Capital Increase constitute major transactions of the Company under Chapter 14 of the Listing Rules. Accordingly, the Equity Transfer Agreement and the Capital Increase Agreement and the transactions contemplated thereunder (namely, the Equity Transfer and the Capital Increase) are subject to the requirements of reporting, announcement, circular (including independent financial advice) and the approval of Independent Shareholders under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Guan Bingchun, Mr. He Anrui, Mr. Qiu Shengtao and Mrs. Zeng Xiangfei, has been established to make a recommendation to the Independent Shareholders in relation to the Agreements. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices in respect of the Capitalisation.

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Directors and/or its senior management staff (the "**Management**") for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in this circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its adviser and/or the Directors, which have been provided to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable and there are no reasons to doubt the accuracy and reliability of such public information. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained in this circular misleading.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group or the Target Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Transactions, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Company is one of the PRC's largest steel producers and distributors, principally engaged in the manufacturing and sales of steel products.

Set out below is a summary of the audited consolidated financial information of the Group for the year ended 31 December 2022 ("**FY 22**"), 2023 ("**FY 23**") and 2024 ("**FY 24**") as extracted from the annual report of the Group for the year ended 31 December 2023 and the annual report of the Group for the year ended 31 December 2024, respectively.

	For the year ended 31 December *Renminbi Yuan*		
	2024	**2023**	**2022**
Revenue	81,816,891,739	98,937,969,364	102,153,602,375
– Principal operating income	79,365,028,160	96,403,138,119	99,020,437,614
– Other operating income	2,451,863,579	2,534,831,245	3,133,164,76 1
Cost of sale	(82,591,668,039)	(97,308,142,081)	(98,846,467,731)
Gross profit/(loss)	(774,776,300)	1,629,827,283	3,307,134,644
Selling expenses	(303,636,480)	(341,240,952)	(295,129,468)
General and administrative expenses	(872,041,999)	(933,378,645)	(1,263,771,737)
R&D expenses	(1,103,101,885)	(1,231,049,205)	(1,167,297,776)
Other income	512,641,397	714,197,840	172,641,171
Investment income	8,405,954	308,185,072	814,285,702
(Loss)/gain from Transactions of assets	(270,368,636)	93,861,158	440,339,732
Operating loss	(4,721,510,347)	(1,593,781,357)	(483,950,030)
Loss before tax	(4,829,857,723)	(1,596,659,516)	(560,617,244)
Net loss attributable to owners of the parent in year	(4,659,156,254)	(1,327,161,500)	(857,615,094)

The Group recorded a revenue of approximately RMB81,817 million for FY 24, representing a decrease of approximately 17.30% from the revenue of RMB98,938 million as generated for FY 23, which was mainly due to the decrease in revenue from steel plates and long products during the same period. The Group turned from a gross profit approximately RMB1,630 million for FY 23 to a gross loss of approximately RMB775 million for FY 24, which was primarily due to the decrease in gross margin from sales of steel plates and long products by approximately 2% and 3.04%, respectively. The net loss attributable to shareholders of the Company was approximately RMB4,659 million for FY 24, representing an increase of 251.06% in loss from that of FY 23.

From FY 22 to FY 23, the Group's revenue decreased from approximately RMB102,154 million to approximately RMB98,938 million, representing a decrease of approximately 3.15%, with the gross profit decreased from approximately RMB3,307 million to approximately RMB1,630 million, which was mainly due to the decrease in revenue from sale of long products and decrease of gross margin from sale of long products and sale of wheel and axles by approximately 4.36% and 0.98%, respectively. The net loss attributable to shareholders of the Company was recorded as approximately RMB1,327 million for FY 23, representing an increase of approximately 54.64% from FY 22.

	As of 31 December	
	2024	**2023**
	Renminbi Yuan	
Current assets	19,472,010,226	22,041,620,102
Non-current assets	59,490,963,387	62,510,632,833
Total assets	78,962,973,613	84,552,252,935
Current liabilities	44,845,617,126	44,054,616,027
Non-current liabilities	6,796,304,286	8,218,095,557
Total liabilities	51,641,921,412	52,272,711,584
Net assets	27,321,052,201	32,279,541,351
Cash and bank balances	**6,434,105,447**	**5,569,797,722**

As at 31 December 2024, the Group's total assets amounted to RMB78,963 million, representing a decrease of 6.61% from the total assets of RMB84,552 million as of 31 December 2023, which was primarily due to (i) the decrease in construction in progress from approximately RMB4,014 million to approximately RMB795 million under non-current assets; and (ii) the decrease in inventory from approximately RMB9,918 million to approximately RMB7,909 million under current assets during the same period.

The cash position of the Group increased from approximately RMB5,570 million as of 31 December 2023 to approximately RMB6,434 million as of 31 December 2024.

2. Information of Baosteel

With reference to the Board Letter, Baosteel is principally engaged in iron and steel industry, trading, shipping, coal chemical industry and information services. Baosteel is ultimately beneficially owned by China Baowu.

3. Information of the Target Company

With reference to the Board Letter, the Target Company is principally engaged in steel manufacturing which specifically includes steel and iron smelting; steel rolling and processing; coking; production and sales of steel products such as high-quality special steel, plate and strip products and others; and production and sales of other steel products and wheel and axle products. The Target Company is a wholly-owned subsidiary of the Company as at the date of this circular.

As set out in the Board Letter, the Target Company was incorporated on 23 December 2024 in the PRC and has no operation between 23 December 2024 and 28 February 2025. The Target Company recorded audited total assets of approximately RMB53.90 billion and net assets book value of approximately RMB10.077 billion as at 28 February 2025.

Taking into consideration the above, including reviewing the Extract of Valuation Report and the underlying valuation methodology and assumptions, the Board considered that the Transfer Consideration is fair and reasonable and in the interest of the Company and Shareholder as a whole.

4. Reasons for and benefits of the Transactions

As stated in the Board Letter, the Transactions enable the Target Company to leverage on Baosteel's nationwide and worldwide marketing and processing service network, technological leadership, talent resources and synergistic expertise to achieve a viable and sustainable development, and further to improve its competitiveness in the market, which is in line with the Group's long-term high-quality development.

We have conducted our independent research and reviewed the report dated 21 January 2025 on the website of China Iron and Steel Association regarding the developments and challenges of the iron & steel industry in China to get a better understanding of the iron & steel industry status in the current social and economic environmental circumstances and the reasons for the Transactions as disclosed in the Board Letter.

According to the report, the traditional iron & steel industry is under pressure by "reduced development and stock optimisation". During the 2024, the price of fuels soared, the iron & steel industry faced challenges of "high production, high costs, high exports, low demand, low prices and low efficiency" situation. Overall, the degree of reduction in steel consumption is significantly greater than degree of decline in production, and thus, the market has stronger supply than demand.

Also, the structural adjustment of iron & steel products is still on-going. The iron & steel manufacturing companies are strongly encouraged to transform and adopt the green and low-carbon technology innovations for long-term sustainable development.

We have reviewed the annual report of the Company for the year ended 31 December 2024 and noted that the Company has been persisting in reform and innovation for deepening its business integration and synergy. The Company has put emphasis on extending, deepening and specialising the steel industry chain to establish a robust "R&D-production-sales". Further, we noted that the Company has accelerated the transformation of its products to become more environmentally friendly and focused on enhancing the competitiveness of its special steel products. The Company, as a major market participant in the iron & steel industry, has strong awareness for green development and its social responsibilities.

The Board Letter also stated that Baosteel demonstrates high synergies with Target Company, in terms of both products and geographical coverage. We have discussed with the Management regarding the major attraction to collaborate with Baosteel. Besides the government policy support, it is noted that the Company has strived to expand its market shares, customers base, as well as improve the quality of products in low-carbon production via green technology. We are of the view that the participation by Baosteel into the business of the Target Company will facilitate the structural adjustments of the efficient and environmentally friendly production for the Target Company, which aligns with the Company's sustainable development and awareness of social responsibilities, given (i) Baosteel has advanced technology such as hydrogen metallurgy and high-end automotive panels and capital resources for the manufacturing of steel products, especially in increasing the utilisation of Baosteel's systemic advantages, market influence, technological leadership to improve standard of iron & steel products; (ii) the Target Company and Baosteel can integrate production capacity and supply chain to improve cost-efficiency.

According to the Board Letter, the Company also wishes to improve its capital structure by applying certain percentage of proceeds from the Transactions to repay the loans which will be due in near future and enhance the equity base. We are of the view that such capital structure enhancement is reasonable given the Group can reduce debt burdens and enhance equity base so as to obtain higher credit ranking if it has need for loan facility from banks.

It is noted that the strategic partnership facilitates technology transfers and supply chain synergies that drive cost efficiencies, while the strengthened balance sheet improves creditworthiness to secure favorable financing for long-term projects. It is further noted that part of the proceeds will be applied to the Company and the Target Company for new project construction (including green production upgrades and high-value product development), strengthening core productivity and functions, development of upstream and downstream of the industrial chain, among others. As such, this partnership contributes to financial stability and enhanced competitive positioning for business expansion.

In light of above, we considered that although the Transactions are not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Transactions

(i) Equity Transfer Agreement

Set out below are the principal terms and conditions of the Equity Transfer Agreement as extracted from the Board Letter.

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

Subject Matter

The Company agreed to transfer the Target Equity Interest held by the Company to Baosteel, and Baosteel agreed to acquire the Target Equity Interest at a consideration of RMB5.139 billion.

Consideration

The Transfer Consideration for the Target Equity Interest is RMB5.139 billion, which is determined by the Company and Baosteel with reference to (i) the net asset value of the Target Company (RMB14.506 billion) as assessed by the Independent Valuer multiply the proportion of equity interest (35.42%) to be transferred as RMB5.139 billion on the Valuation Reference Date according to the Valuation Report; and (ii) appropriate rounding adjustments, after arm's length negotiation. The above Transfer Consideration is ultimately determined on the basis of the appraised value of the net assets of the Target Company.

Based on the asset-based approach, as at the Valuation Reference Date, under the premise that all assumptions hold true, the total assets of Target Company had a carrying value of RMB53,897.7743 million with an assessed value of RMB58,131.7820 million, reflecting an appreciation of RMB4,234.0077 million and an appreciation rate of 7.86%. The total liabilities had a carrying value of RMB43,820.377 million with an assessed value of RMB43,625.6758 million, reflecting a devaluation of RMB194.7012 million and a devaluation rate of 0.44%. The total equity value of shareholders had a carrying value of RMB10,077.3973 million with an assessed value of RMB14,506.1062 million, representing an appreciation of RMB4,428.7089 million, and the appreciation rate is 43.95%.

Conditions Precedent

Save as the relevant applicable law and listing rules, there is no pre-condition for Baosteel, the Company and the Target Company to enter into the Capital Increase Agreement and the Equity Transfer Agreement, which are aggregated and treated as a single transaction.

Payment Terms

Within 10 business days after the satisfaction (or written waiver by Baosteel) of the relevant preconditions for payment under the Equity Transfer Agreement, Baosteel shall pay 50% of the Transfer Consideration (the "**First Equity Interest Transfer Payment**"). Subject to the satisfaction of the remaining preconditions for payment, or mutual confirmation that such payment will not materially and adversely affect the Target Company's production and operation under the Equity Transfer Agreement, and in any event no later than 180 days after the completion of the First Equity Interest Transfer Payment, Baosteel shall pay the remaining 50% of the Transfer Consideration (the "**Second Equity Interest Transfer Payment**"). If the Completion Date is before 30 June 2025, the Second Equity Interest Transfer Payment shall be paid no later than 31 December 2025.

Baosteel shall pay the entire Transfer Consideration in its own funds, to the bank account designated by the Company.

Effectiveness of the Equity Transfer Agreement:

The Equity Transfer Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by Shareholders at General Meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Equity Transfer Agreement.

Arrangements during the Transition Period

Changes in assets during the Transition Period shall be enjoyed or borne by the original shareholder through a special dividend distribution, the mechanism of which will be, during the Transition Period, any increase in the Target Company's net assets from profits will be distributed as a special dividend to the Company proportional to such increase. Conversely, any decrease in net assets from losses will reduce the Company's special dividend on dollar-for-dollar basis from the distributable profits (if any) of the Target Company. In any event, there will be no adjustments to the Transfer Consideration.

We have reviewed the executed version of the Equity Transfer Agreement and are of the view that the principal terms have fulfilled the key elements of normal commercial contract, which includes but not limited to, the consideration and its basis, the intention for the transactions, the parties' rights and obligations during the contract performance period (including but not limited to the stipulated conditions for payment for each instalments). We considered that the principal terms of the Equity Transfer Agreement including the arrangement for the special dividend distribution is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Capital Increase Agreement

Set out below are the principal terms and conditions of the Capital Increase Agreement as extracted from the Board Letter.

Date

17 April 2025

Parties

(1) The Company;

(2) Baosteel; and

(3) The Target Company

Subject Matter

On 17 April 2025, the Company entered into the Capital Increase Agreement with Baosteel and the Target Company, pursuant to which Baosteel agreed to make a capital contribution of RMB3.861 billion in the Target Company, of which RMB266 million as the newly increased registered capital of the Target Company, and RMB3.595 billion as the capital reserve of the Target Company.

Change in Shareholding Structure

The amount of Capital Injection has been determined based on the appraised value of the Target Company in the Valuation Report issued by an independent third party, to ensure fair transaction pricing. In addition, according to the Extract of Valuation Report, the value of the Target Company on the Valuation Reference Date was assessed to be RMB14.506 billion according to the asset-based approach, and the original registered capital was RMB1 billion. The corresponding value of each registered capital is RMB14.506, and the total capital increase of Baosteel is RMB3.861 billion. The total capital increase is divided by the value of each registered capital, and the registered capital corresponding to Baosteel's capital increase should be RMB266 million.

It is noted that RMB266 million would be used by the Target Company to increase its registered capital to RMB1.266 billion, whereas RMB3.595 billion is used as capital reserve, specifically as share premium, 50% of the capital contribution will be used for new project construction (including green production upgrades and high-value product development), and the rest will be used for daily production and operations.

On the Completion Date of the Equity Transfer Agreement, the Company transferred its 35.42% equity of the Target Company (before equity dilution) to Baosteel in accordance with the Equity Transfer Agreement. On the same day, Baosteel shall simultaneously increase the capital of the Target Company with RMB3.861 billion, of which RMB266 million would be used as new registered capital, aiming to increase the registered capital of the Target Company to RMB1.266 billion. Baosteel will hold about 21% of the equity of the Target Company (being the new registered capital of RMB266 million divided by the new total registered capital of RMB1.266 billion), plus about 28% after the completion of the Equity Transfer (being the share of this equity transfer of 35.42% multiplied by the original total registered capital of RMB1 billion divided by the new total registered capital of RMB1.266 billion), and finally achieve 49% equity ratio.

Payment Terms

With reference to the assessed net asset value of the Target Company as set out in the Valuation Report, Baosteel shall conduct a simultaneous capital increase into the Target Company on the Completion Date of the Equity Transfer Agreement. The aforementioned capital increase shall be subscribed by Baosteel in cash, with a total subscription amount of RMB3.861 billion, payable in full within 180 days after the effective date of the Capital Increase Agreement. If the effective date of the Capital Increase Agreement is 18 June 2025 (being the date of the upcoming General Meeting), then the Completion Date of the Equity Transfer Agreement occurs before 30 June 2025 and the latest payment deadline shall be no later than 31 December 2025.

Effectiveness of the Capital Increase Agreement:

The Capital Increase Agreement shall take effect upon being signed and sealed by all parties to the agreement or the date when it is approved by Shareholders at General Meeting, whichever is later, and shall remain in full force and effect unless terminated earlier according to the agreement signed by the parties to the Capital Increase Agreement.

We have reviewed the calculation workings for the shareholding structure upon the completion of the Transactions. Given there is a mutual consent between the Company and Baosteel to use RMB266 million for the increased registered capital purpose and the remaining amount of RMB3.595 billion for the capital reserve, it is fair and reasonable to calculate the shareholdings of the Baosteel in the Target Company based on the updated total registered capital of RMB1.266 billion of the Target Company considering both the increase in shareholdings by Baosteel from transaction contemplated under Equity Transfer Agreement and the Capital Increase Agreement. We noted that the extent of amount of capital injected into registered capital or capital reserve is allowed under PRC accounting standard and applicable laws. We are of the view that the Baosteel shareholdings of approximately 49% in the Target Company upon the completion of the Transactions is fair and reasonable. We also considered that the capital contribution to be used for investment and construction of new projects, as well as for daily production and operation of the Target Company will ultimately benefit the Company.

As such, the Company will hold approximately 51% equity interests of the Target Company upon the completion of Transactions, which enables itself to retain the controlling shareholder position and the veto right to assign the directors in the board seat to represent it for material business and corporate governance decisions of the Target Company. Taking into account of the benefits to enter into the Transactions as set out under section headed "4. Reasons for and benefits of the Transactions", we are of the view that such retaining controlling interest in the Target Company is in line with the Company business strategy for its group business optimization and is in the interests of the Company and its Shareholders as a whole.

We have reviewed the Agreements and are of the view that the Agreements are in normal commercial terms including the Transfer Consideration of the Target Company which was based on the valuation and the arrangement during the transition period.

6. Evaluation of the consideration

With reference to the Board Letter, the consideration was determined after arm's length negotiations between the Company and Baosteel with reference to the appraised asset value of the entire equity interest in Target Company as at the Valuation Reference Date as appraised by the Independent Valuer.

According to the Valuation Report, the appraised value of Target Company's entire equity interest as at the Valuation Reference Date amounted to RMB14.506 billion. Based on the aforesaid valuation conclusion, the Company and Baosteel agreed that the consideration of the Target Equity Interest shall be RMB5.139 billion, being approximately 35.42% of the appraised asset value of the entire equity interest in Target Company as at the Valuation Reference Date. In preparing the Valuation Report, the Independent Valuer selected the asset-based approach to conclude the Valuation.

For due diligence purpose, we have reviewed the Valuation Report prepared by the Independent Valuer and have discussed with the Independent Valuer regarding the valuation of the Target Company with details set out below. We have reviewed the valuation input adopted by the valuer, the calculation workings as provided by the valuer, and the reasons for the differences between the book and appraised values.

(a) Scope of work and qualifications of the Independent Valuer

The Independent Valuer was engaged to prepare the Valuation Report which sets out independent valuations on the value of 100% equity interest in Target Company as at the Valuation Reference Date. The Valuation Report has been prepared in compliance with the relevant professional standards issued by China Appraisal Society. We have discussed the expertise of the Independent Valuer with its relevant staff members. We understand that the Independent Valuer is certified with the relevant PRC qualifications required to perform this valuation exercise and has over 10 years' industry experience in conducting valuation exercises. We have also reviewed the terms of the Independent Valuer's engagement letter and noted that the purpose of the Valuation is to provide an opinion of value of Target Company. The Independent Valuer's engagement letter also contains standard valuation scopes that are typical of company valuations carried out by independent valuers.

In the course of our review, we have discussed with the Independent Valuer the methodologies, bases and assumptions adopted in the Valuation Report, further details are set out below.

(b) Valuation methodologies

As mentioned above, the Valuation was concluded based on the asset-based approach. We noted from the Valuation Report that the Valuation Report was prepared by the Independent Valuer in accordance with various requirements/standards, including《中華人民共和國資產評估法》(Asset Appraisal Law of the PRC*), Law of the PRC on State-owned Assets of Enterprises《中華人民共和國企業國有資產法》as passed by the National People's Congress of the PRC and other relevant valuation standards published by the PRC government. Based on our discussion with the Independent Valuer, we understand that the Independent Valuer has considered these three commonly used valuation approaches for valuation of a company, namely the asset-based approach, the market approach and the income approach, and adopted the asset-based approach for the reasons below:

(i) the income approach determines value by capitalizing or discounting the expected earnings of the subject asset. However, the steel industry is currently experiencing sustained declines in profitability due to macroeconomic volatility, slow demand recovery, and intensifying supply-demand imbalances. Since the income approach relies on long term, stable cash flow projections, factors such as the industry's long investment cycles, macroeconomic policies, industry trends, and the efficient utilization of assets may lead to deviations in the valuation results. Therefore, the income approach is not the most appropriate method;

(ii) the market approach determines the value of the subject asset by comparing it with comparable references and basing the valuation on their market prices. However, due to the scarcity of comparable transactions with a combination of similar asset scale, product structure, and competitive dynamics as the Target Equity Interest, the market approach is not the most appropriate method; and

(iii) the asset-based approach determines the current value of the subject asset by a combination of calculating the full cost required to replace or reconstruct it in its entirety under realistic conditions, adjusted for depreciation and obsolescence. Since asset-based approach reflects the replacement value of the Target Company's assets as of the Valuation Reference Date, and given that acquisition and construction costs are relatively stable. Therefore, the asset-based approach is deemed the most appropriate valuation method.

Given the (i) uncertainty of the geopolitical tensions and unstable macroeconomic environment; (ii) the iron & steel industry is under pressure for sound development and under challenge for structural adjustment according to the report as mentioned under section headed "4. Reasons for and benefits of the Transactions"; and (iii) the inventory of the iron & steel products are able to be retained for a long period, we concurred with the view of the Independent Valuer that the income approach is not an appropriate method for the Valuation as of the Valuation Reference Date.

We noted that the Independent Valuer did not adopt the market approach on the basis of the scarcity of comparable transactions with a combination of similar asset scale, product structure, and competitive dynamics as the Target Equity Interest. We have discussed with the Independent Valuer and understood that their focus was on the comparable transaction.

For our due diligence purpose, we have tried to identify comparable companies listed on the Main Board of the Stock Exchange with similar principal businesses as the Company and the Target Company (i.e. manufacturing and sales of steel products in the PRC). Based on the above selection criteria, we have identified four comparable companies which will be discussed below for a cross-reference purpose.

Having considered (i) that the Valuation Report was prepared by the Independent Valuer in accordance with various requirements/standards; (ii) that the Independent Valuer had also considered market approach and income approach during the course of the Valuation before concluding the Valuation with the asset-based approach; and (iii) the aforesaid reasons for not adopting the market approach and income approach, we concur with the Independent Valuer on the adoption of asset-based approach to conclude the valuation.

(c) Valuation assumptions

The valuation is subject to certain assumptions, including but not limited to: (i) the Target Equity Interest is assumed to be in a transaction process, and the Independent Valuer has estimated its value by simulating market conditions; (ii) the Target Equity Interest, whether already on the market or intended to be transacted, is presumed to be traded between parties of equal standing, with both sides having sufficient access to market information and time, and acting voluntarily and rationally to assess the Target Equity Interest's functionality, utility, and transaction price before making informed judgments; (iii) the Target Equity Interest will continue to be used in its current manner and for its existing purpose; and (iv) no other material changes in factors or circumstances are anticipated.

We have reviewed the Valuation Report and discussed with the Independent Valuer in respect of the key assumptions adopted for performing the Valuation. We understand from the Independent Valuer that the assumptions are commonly adopted in other valuations of similar assets and there is no unusual assumption which has been adopted during the Valuation. We also consider the assumptions adopted in the Valuation Report are general in nature and are not aware of any material facts which lead us to doubt the assumptions adopted by the Independent Valuer.

(d) Details of valuation

In arriving at the Valuation, the Independent Valuer categorised the assets and liabilities of Target Company into different categories. Based on the Valuation Report and our discussion with the Independent Valuer, in determining the valuation of the assets and liabilities of Target Company, the Independent Valuer has considered the applicable valuation methodologies taking into account the nature of the subject assets/liabilities in accordance with the relevant valuation requirements/standards, which set out, among others, the requirements, key steps and methodologies in the valuation of tangible assets, intangible assets and real estates.

As confirmed by the Independent Valuer, the appraisal methodologies of assets and liabilities are consistent with normal market practice. We have also reviewed the Valuation Report and enquired with the Independent Valuer the details of asset-based approach valuation, including the basis of appraising different categories of assets and liabilities and the reasons for difference between the book value and appraised value.

During our discussion with the Independent Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the asset-based approach valuation. The appraisals of the assets and liabilities of Target Company are summarised below:

The Independent Valuer has categorized the assets belonging to current assets, long-term equity investments, investment properties, buildings, fixed assets of equipment, construction in progress, right-of-use assets, land use rights and other intangible assets-software copyrights, respectively.

(i) Current assets

We have reviewed the valuation methods of current assets and noted that the Independent Valuer arrived at the value of different sub-category of current assets according to their nature, function to the business of the Group, the relevant verification work and the general valuation practice. For instance, we understood from the Independent Valuer that the fair value of the account receivables and other receivables depends on the likelihood of such balances to be recovered by Target Company and the amount that is expected to be recovered.

As for inventories, an cost approach was adopted for the inventory turnover materials. The valuation of finished goods in stock took into account of the sales profit and relevant market conditions.

(ii) Long-term Equity Investments

We noted that the Independent Valuer use the similar rationale to calculate the long-term equity investments based on the percentage of share interest in the investee and the total equity value of the investee, which is fair and reasonable.

(iii) Investment Properties and Buildings

After assessing the nature and characteristics of the investment properties and buildings, considering lack of data availability, the valuation for investment properties and buildings both adopted the cost approach. We have enquired the Independent Valuer and was confirmed that it is normal valuation practice based on similar situations.

(iv) Fixed Assets of Equipment

The Independent Valuer adopted the replacement cost method in assessing the appraised value of machinery and equipment, transportation vehicles, electronic equipment and adopted the comparable market prices for equipment with active secondary market transactions.

Upon our enquiry, the Independent Valuer advised us that the adoption of replacement cost method could estimate the cost to replace/construct such relevant fixed assets with similar utility which usually have no active or liquid market and is consistent with normal market practice.

As the fixed assets which were valued by replacement cost method include machinery and equipment, transportation vehicles, electronic equipment which have been used by Target Company for certain period of time and did not have active second hand market transactions, we concurred with the view of the Independent Valuer that the replacement cost method could estimate the cost to replace/construct the relevant assets with similar utility. Having considered the above, in particular that (i) the adoption of replacement cost method is consistent with normal market practice; and (ii) the assets were appraised based on individual conditions such as the replacement cost if there were no active second-hand market transactions, we consider the appraisal methodologies of the fixed assets to be fair and reasonable.

(v) Construction in Progress

We noted that the cost approach was adopted for the valuation of construction in progress based on different project types (including civil engineering & equipment installation and deferred investment) and specific circumstances. We considered that valuation based on the specific nature of the project is fair and reasonable.

(vi) Right-of-use Assets

We considered it is fair and reasonable to assess the right-of-use assets based on recognised accounting standards.

(vii) Land Use Rights

We noted that the Independent Valuer justified various commonly adopted valuation approaches to arrive the estimated value of land use rights to different nature of land. We considered it is fair and reasonable to take into all the circumstances such as changes in land prices in recent years, urbanization, enhanced infrastructure and supporting facilities into account before concluding the valuation.

(viii) Other Intangible Rights

The other intangible assets included in the valuation scope consist of production capacity indicators, technology-related intangible assets, and software copyrights.

We noted that the Independent Valuer justified various commonly adopted valuation approaches to arrive the valuation of other intangible rights based on the nature. We considered it is fair and reasonable to take into all the circumstances into account before concluding the valuation.

(ix) Liabilities

The liabilities' carrying value was assessed mainly based on the book amount of the debts, which is fair and reasonable.

Having considered that (i) the asset-based approach valuation was performed by the Independent Valuer in accordance with various requirements/standards; (ii) the Independent Valuer has considered the applicable valuation methodologies taking into account the nature of the subject assets/liabilities; and (iii) the appraisal methodologies of assets and liabilities are consistent with normal market practice, we consider that the valuation methodologies adopted by the Independent Valuer in assessing Target Company's assets and liabilities are fair and reasonable.

(e) Conclusion for valuation bases and assumptions

Having discussed with the Independent Valuer and reviewed with them the reasons for adopting the various valuation methodologies, the bases and assumptions used for the Valuation and the valuation result, we are of the view that the chosen valuation methodologies, bases and assumptions in establishing the appraised value as at the Valuation Reference Date are in line with the industry practice. In assessing the fairness of the Transfer Consideration, we considered it is appropriate to refer to the independent valuation conducted by the Independent Valuer in respect of the appraised value of Target Company.

(f) Valuation Results by items

We have noted that there are differences between the carrying value and assessed value of the asset items and liabilities items from the Valuation Report.

We reviewed the reasons as provided by the Independent Valuer for the difference by item if there are material differences:

Assets Items:

(i) as for current assets, it was mentioned that the appreciation of current assets was mainly due to the consideration of the profit generated by inventory sales. We considered it is fair and reasonable to consider the potential economic benefit to be generated by the inventory sales given this will better reflect the value of the inventory;

(ii) as for the long-term equity investment, it was mentioned that the primary reason for the appreciation was due to fact that original investment cost of the subsidiary was based on the carrying value on the Valuation Reference Date, while the appraisal value was the valuation of the subsidiary based on the asset-based method on the Valuation Reference Date, resulting in the appreciation. We considered it is reasonable that the valuation of long-term equity investment in a company based on asset-based method instead of carrying value is adopted as it is likely to gain higher premium than the original investment costs;

(iii) as for the investment properties, it was mentioned that the appreciation was due to the fact that the house was mainly built in 2009, and the increase in building materials prices and labor costs up to the Valuation Reference Date. We are of the view that given inflation factor, what as disclosed is reasonable;

(iv) it was noted that the impairment of fixed assets was mainly due to the appraised economic life of some equipment and structures being shorter than the accounting depreciation life of the enterprise, and the replacement price of some equipment being lower than the carrying value of the equipment. We considered that such adjustment is fair and reasonable taking into account of the practical residue value of the fix assets instead of their carrying values;

(v) we noted that there is impairment of construction in progress which is primarily due to the completed and converted projects being evaluated in the corresponding fixed assets this time, resulting in the impairment. We considered that it is reasonable to consider the current status of construction in progress; and

(vi) it was provided that the appreciation of intangible assets was mainly due to the fact that the company acquired the land earlier, and the continuous rise in land prices in recent years led to the evaluation appreciation; and other appreciation came from other intangible assets, including patents, know-how, and software copyrights which was not recorded on the book account but was included in this evaluation, resulting in the appreciation. We considered that it is reasonable given appreciation is based on updated prices of land and other intangible assets;

Liabilities Items:

The impairment of non-current liabilities-deferred income was mainly due to the fact that government grants associated with revenue and non-replicable were assessed to zero in this evaluation, resulting in the impairment. We are of the view that given the government grants was non-replicable, it is fair and reasonable to estimate as zero for the valuation purpose.

Evaluation of the consideration

The Transfer Consideration for the Target Equity Interest is RMB5.139 billion, which is equal to approximately 35.42% of the appraised asset value of the entire equity interest in Target Company as appraised by the Independent Valuer. The subscription amount of the capital increase in the Target Company from Baosteel was also with reference to the assessed net asset value of the Target Company. Having considered the details and our due diligence work on the valuation as set out above, we are of the view that the Transfer Consideration is fair and reasonable as far as the Independent Shareholders are concerned.

Our industry comparable analysis

The Target Company is principally engaged in steel manufacturing and is a wholly-owned subsidiary of the Company as at the date of the Circular. For conducting comparable analysis, comparable transactions and comparable companies are the two commonly adopted methods. It is noted from the Valuation Report that there were insufficient comparable corporate transactions with the target companies' principal business similar to that of the Target Company.

Alternatively, comparable companies method was adopted in our analysis. We have identified an exhaustive list of comparable companies (the "**Industry Comparables**") based on the following selection criteria:

(i) listed on the Stock Exchange and the shares trading was not on suspension;

(ii) principally engaged in the manufacturing and sales of iron &steel products;

(iii) the market capitalisation ranged from RMB1 billion to RMB4.5 billion; and

(iv) with more than 75% of the latest reported annual revenue generated from the sale or trading of iron & steel products.

Based on the above selection criteria, four Industry Comparables were identified. Regarding the selection of the valuation multiple, we have given regard to the two commonly adopted valuation multiples, namely price-to-earnings multiple ("**P/E Multiple**") and price-to-book multiple ("**P/B Multiple**"). We noted that Target Company has no record of revenue or profits for FY24. As such, the P/E Multiple was not adopted in our analysis. The P/B Multiple is effective in valuing asset-intensive companies, which is applicable for the Target Company.

Based on what has been mentioned above, we consider the P/B Multiple to be an appropriate valuation multiple. Set out below are the Industry Comparables together with the relevant P/B Multiples and the information of which we consider, to the best of our knowledge and ability, to be an exhaustive, fair and representative population for the purpose of arriving at a meaningful analysis of the Transfer Consideration. As the Target Company was wholly-owned by the Company (which is the listing entity) as of the date of our industry comparables analysis and will remain a non wholly-owned subsidiary upon the completion of the Transactions, we considered it may not be necessary to adopt lack of marketability parameter in the analysis, as the Target Company is leveraging on the Company's reputation and resources for its business development.

Name	Principal Businesses	Market Cap (HKD) *(Note 1)*	Market Cap (RMB) *(Note 2)*	P/B Multiples *(Note 3)*
Angang Steel Company Limited (00347. HK)	Mainly engaged in production and sale of steel products.	2,089,079,200	1,952,410,467	0.04
China Oriental Group Company Limited (00581. HK)	Mainly engaged in the manufacturing and sales of iron and steel products, trading of steel products, iron ore and related raw materials, sales of power equipment and real estate business.	4,169,277,280	3,896,520,822	0.17
Newton Resources Ltd. (01231. HK)	Mainly engaged in sourcing and supply of iron ores and other commodities.	1,000,000,000	934,579,439	4.39 *(Note 5)*
China Hanking Holdings Limited (03788. HK)	Principal activities of the group are iron ore business, high-purity iron business in the PRC, and gold business in Australia.	2,116,800,000	1,978,317,757	1.38
			Maximum	1.38
			Minimum	0.04
			Average	0.53
Target Company				**1.44** *(Note 4)*

Notes:

1. The market capitalisations as at 17 April 2025, being the date of announcement of the entering into of the Equity Transfer Agreement and the Capital Increase Agreement.

2. The exchange rate of CNY:HKD was adopted as 1:1.07.

3. The P/B Multiples of the Industry Comparables are calculated by dividing the respective market capitalisation of the Industry Comparable as at 17 April 2025, being the date of the announcement of the entering into of the Equity Transfer Agreement and the Capital Increase Agreement, by the net asset value ("**NAV**") attributable to the owners of the Industry Comparables as shown in their respective latest published financial results and/or reports.

4. The implied P/B Multiple (the "**Implied P/B Multiple**") of 1.44 times is calculated by dividing the Transfer Consideration by the net assets book value of the Target Equity Interest Value of the Target Equity Interest.

5. The P/B Multiple of Newton Resources Ltd. of 4.39 times is way higher than others. It is considered to be outlier and therefore not included in our analysis.

As set out above, the P/B Multiples of the Industry Comparables ranged from approximately 0.04 times to approximately 1.38 times with the average P/B Multiples of approximately 0.53 times. The Implied P/B Multiple of 1.44 times is higher than the range of P/B Multiples of the Industry Comparables without the outlier but within the range with the outlier.

Given the Implied P/B Multiple of 1.44 times for the disposal of equity interest in Target Company is higher than the range of P/B Multiples of Industry Comparables without the outlier but within the range with the outlier as of the date of announcement, being the date of announcement of the entering into the Agreements, and the fact that the Transactions represent disposal of equity interest in the Target Company, we consider that the Transfer Consideration to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the Transactions and use of proceeds

As set out in the Board Letter, upon completion of Transactions, Target Company will be owned as to 51% by the Company and 49% by Baosteel.

Upon completion of the Equity Transfer and Capital Increase, the registered capital of the Target Company will be increased from RMB1 billion to RMB1.266 billion. Upon the completion of the Equity Transfer and the Capital Increase, the Company's interest in the Target Company will decrease from 100% to 51%, resulting in the Target Company transitioning from a wholly-owned subsidiary to a non-wholly owned subsidiary, whereas the consolidated total assets and net assets of the Group will all be increased by RMB3.861 billion. The Target Company's financial results will continue to be consolidated into the Group's financial statements.

The Group intends to use the proceeds from the transfer of the Target Equity Interest in the following ways: (i) concerning RMB3.861 billion will be injected to the Target Company, 50% of such amount will be used for new project construction, (including green production upgrades and high-value product development) and the rest will be used for daily production and operations; (ii) concerning RMB5.139 billion entered the Company as equity transfer proceeds, 3% of such amount will be used for the Company's working capital, approximately 37% of such amount will be used for the Company to repay due debts such as notes payable, and the remaining 60% of such amount will be used for strengthening its core productivity and functions, development of upstream and downstream of the industrial chain, among others.

We have reviewed the Company's plan for use of net proceeds and noted that the Company has allocated the funds into different aspects, among others, the maintenance of current business operation, the development strategy for new project to obtain more income sources, and the repayment for loans which resulted in better capital structure. We are of the view that such use of net proceeds is fair and reasonable, reflecting the Company's business strategy for its viable and sustainable businesses in the long run.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that (i) the terms of the Agreements are on normal commercial terms and are fair and reasonable; and (ii) although the Transactions are not in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Agreements.

Yours faithfully,
For and on behalf of
Messis Capital Limited
Angus Au-Yeung
Managing Director

Mr. Angus Au-Yeung is a licensed person registered with the Securities and Futures Commission of Hong Kong to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulatory activity under the SFO and has over 20 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes to the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group and related notes for each year of the three years ended 31 December 2022, 2023 and 2024 have been disclosed in the following documents published on the Stock Exchange's HKEXnews website (www.hkexnews.hk) and the Company's website (www.magang.com.hk), respectively:

- Annual report of the Company for the year ended 31 December 2024 published on 29 April 2025 (https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042903227.pdf);

- Annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042604457.pdf); and

- Annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602739.pdf).

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 April 2025, being the latest practicable date for the purpose of ascertaining the indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately RMB23,256 million, including (i) bank loans of RMB22,885 million; and (ii) other interest-bearing borrowings of RMB371 million (the abovementioned figures are unaudited).

The following table sets out the breakdown of the financial indebtedness of the Group at the date included:

	As at 30 April 2025
	RMB million
Non-current	0
Secured and guaranteed bank loans	0
Secured and guaranteed bank loans	0
Secured and unguaranteed bank loans	0
Unsecured and unguaranteed bank loans	9,142
Lease liabilities	371
Other non-current liabilities	0
Total	9,513
Current	0
Unsecured and guaranteed convertible bonds	0
Unsecured and unguaranteed convertible bonds	0
Secured and guaranteed bank loans	0
Secured and unguaranteed bank loans	0
Secured and unguaranteed bank loans	0
Unsecured and unguaranteed bank loans	13,743
Lease liabilities	0
Total	13,743

Statement

Save as disclosed above and apart from intra-group liabilities and normal trade payables, as at the close of business on 30 April 2025, the Group did not have any outstanding, issued and outstanding, authorized, agreed or otherwise created but unissued debt securities, bank overdrafts, other borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchases commitments, guarantees or contingent liabilities.

3. WORKING CAPITAL

Having taken into account the financial resources available to the Group, including internally generated funds, the available banking facilities and other facilities, the Directors of the Company are of the view that the Group will have sufficient working capital to satisfy its current needs for at least 12 months from the date of this circular.

The Company has obtained a letter on the working capital statement from its auditor as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL AND BUSINESS PROSPECTS

International and domestic review for 2024

In 2024, China's economy maintained stable and progressive growth, with year-on-year increase of 5.0% for GDP. For the steel industry, 2024 was a critical year of deep adjustment, characterized by increased downward pressure on traditional steel-consuming industries and persistently high raw material and fuel prices. The industry continued to face a "three highs and three lows" scenario: high production, high costs, high exports, and low demand, low prices, low profitability, signaling a clear transition into a phase of reduced volume development and optimized existing capacities.

Steel production declined year-on-year, while steel consumption demand continued to decrease. In 2024, China produced 1,005 million tons of crude steel, representing a year-on-year decrease of 1.7%. Steel exports reached 111 million tons, representing a year-on-year increase of 22.7%, equivalent to 113 million tons of net crude steel exports, representing a year-on-year increase of 31.5%, reaching a record high. On the demand side, although key steel-consuming industries such as automobiles, equipment, and electrical machinery manufacturing saw varying degrees of year-on-year growth, the decline in steel demand was significantly greater than the decline in production due to factors such as the downturn in the real estate and infrastructure sectors. The market remained in a state of strong supply and weak demand. The annual apparent consumption of crude steel in China was 892 million tons, representing a year-on-year decrease of 5.4%.

Steel prices declined year-on-year, while the prices of raw materials such as iron ore remained high. In 2024, the average China Steel Price Index (CSPI) was 102.47 points, representing a year-on-year decrease of 8.39%. Specifically, the average of Long Steel Product Index was 105.22 points, down 8.83% year-on-year, and the average of Plate Steel Product Index was 100.58 points, down 10.09% year-on-year. On the raw materials front, China imported iron ore of 1.237 billion tons, representing a year-on-year increase of 4.9%, reaching a record high in import volume. The average import price was USD106.93/ton, representing a year-on-year decrease of 7.08%, with a smaller decline compared to steel prices. The purchasing cost of imported iron ore fines for key enterprises decreased by 5.58% year-on-year, while the costs of domestic iron concentrate (dry basis) and coking coal decreased by 0.76% and 8.14%, respectively. Despite these declines, raw material prices remained relatively high, and the price gap between upstream and downstream markets further narrowed.

The profitability of the steel industry continued to decline, with rising corporate debt levels. The average sales profit margin of key enterprises was only 0.71%, representing a year-on-year decrease of 0.63 percentage point, while the asset-liability ratio of key enterprises rose to 62.72%, up 0.56 percentage point year-on-year. The overall operating environment for steel enterprises remained extremely challenging.

Results review of the group for 2024

In 2024, facing the severe challenges of the steel industry's long-term cyclical reduction and structural adjustment, the Company adopted a systematic and strategic approach, guided by the "Four Modernizations (四化)" as its development direction and the "Four Principles (四有)" as its operational philosophy. By persisting in reform and innovation, deepening integration and synergy, advancing lean management, and strengthening financial accountability, the Company overcame difficulties and maintained overall stability in its production and operations despite the adverse conditions.

During the period ended 31 December 2024, the Group produced 18.08 million tons of pig iron, 19.83 million tons of crude steel, and 18.36 million tons of steel products, representing year-on-year decreases of 5.99%, 5.41%, and 10.92%, respectively (of which the Company produced 15.13 million tons of pig iron, 16.31 million tons of crude steel, and 14.67 million tons of steel products, representing year-on-year decreases of 2.29%, 0.85%, and 8.23%, respectively). Under the Chinese Accounting Standards for Business Enterprises, the Group's revenue for the reporting period amounted to RMB81,817 million, representing a year-on-year decrease of 17.30%; net loss attributable to shareholders of the listed company amounted to RMB4,659 million, representing a year-on-year increase of 251.06% in loss. As at the end of the reporting period, the Group's total assets amounted to RMB78,963 million, representing a year-on-year decrease of 6.61%; net assets attributable to shareholders of the listed company amounted to RMB23,257 million, representing a year-on-year decrease of 16.25%.

Outlook for international and domestic situation in 2025

In 2025, the once-in-a-century global transformation is accelerating, with the complexity, severity, and uncertainty of the external environment increasing. China's development has entered a period where strategic opportunities coexist with risks and challenges, although the supporting conditions and fundamental trends for long-term economic growth remain unchanged. China will adhere to the general principle of seeking progress while maintaining stability, fully, accurately, and comprehensively implement the new development philosophy, accelerate the construction of a new development pattern, and solidly promote high-quality development. It will further deepen reform and opening-up, implement more proactive macroeconomic policies, expand domestic demand, promote the integrated development of technological innovation and industrial innovation, stabilize expectations, and stimulate vitality to drive a sustained economic recovery. The steel industry has entered a downturn cycle characterized by volume reduction and structural adjustment, facing multiple challenges such as transformation and upgrading, market competition, environmental pressures, and supply chain security. The supply-over-demand scenario in the iron and steel market has not radically improved, and the industry environment remains critical.

Development of the Group in 2025

Based on Ma Steel's reality and aligned with Baowu's strategy, the Company has further clarified its new "2+2" strategic positioning: to become the core force for special and long products and a key force for flat products within China Baowu, while strengthening and optimizing its unique products–wheels and H shaped steels. The Company has also formulated the Ma Steel New Development Plan (2025–2030). Under the framework of strengthening the base, collaborating with the sides, and serving the market, the Company has developed a product and production line optimization and upgrade plan, placing base strengthening at the forefront. It plans for the collaborative construction of the Phase II of the New Special Steel Project to enhance quality and expand volume, while relocating the Large Beam Blank Project in the Southern Long Products Area and phasing out the smelting section of Area 1 in the Long Product-making Southern Area to reduce capacity. Through this "one increase, one decrease" approach, the Company aims to achieve high-end product transformation and efficient production line development.

In 2025, the Company will generally adhere to the general principle of seeking progress while maintaining stability, reinforcing stability with progress and establishing the new before abolishing the old, fully, accurately and comprehensively implement the new development philosophy, and cultivate strengths and superiorities to build a new Masteel with high potential. It will, centering on "structure, cost, efficiency, mechanism and vitality", thoroughly practice "high-end orientation, intelligentization, greenization and high efficiency" and "4-with", continuously enhance core functions and improve core competitiveness, accelerate science-based self-reliance, promote industrial layout optimization and adjustment, continue to deepen reform and stimulate vitality and motivation, give full play to the supporting role of technological innovation, and advance high-quality development of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, the interests or short positions of the Directors, chief executive, supervisors and senior management members of the Company, or their respective associates (as defined in the Listing Rules) in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Nature of interest	Total number of shares	Class of shares	Percentage in the total share capital of the Company
Mao Zhanhong	Director	Beneficial interest	204,100	A	0.0026%
Fu Ming	Deputy General Manager	Beneficial interest	204,000	A	0.0026%
He Hongyun	Joint Company Secretary	Beneficial interest	95,200	A	0.0012%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, none of the Directors, chief executive, supervisors and senior management members of the Company, nor their respective associates (as defined in the Listing Rules) had any interests or short positions in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, the following Directors are also directors or employees of a company which has an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company	Position
Jiang Yuxiang	China Baowu	General Counsel and Chief Compliance Officer, General Representative of Maanshan headquarter
	Magang Group	Chairman
	Shanghai Baosight Software Co., Ltd.*	Chairman of the Supervisory Committee
	Xinjiang Tianshan Iron and Steel United Co., Ltd.*	Director
Mao Zhanhong	Magang Group	General Manager

Save as disclosed above, as the Latest Practicable Date, so far as was known to the Directors, none of the other Directors is also a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2024, being the date to which the latest published audited accounts of the Company were made up.

None of the Directors and the supervisors of the Company were materially interested in any contract or arrangement entered into by the Company subsisting at the Latest Practicable Date which is significant in relation to the business of the Company.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which do not expire or are not terminable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were interested in any business, which competes or is likely to compete, either directly or indirectly, with that of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

8. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

Name	Qualification
Messis Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO (Chapter 571 of the Laws of Hong Kong)
Beijing China Enterprise Appraisals Co. Ltd.*	Independent Valuer
Ernst & Young Hua Ming LLP	Certified Public Accountants

The abovenamed experts have not given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter, report and/or opinions and/or the references to their name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) the abovenamed experts did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2024, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) the abovenamed experts did not have any shareholding interests, direct or indirect, in any member of the Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Group.

The letters given by the abovenamed experts are given as of the date of this circular for incorporation herein.

9. MATERIAL CONTRACTS

In the two years immediately preceding the date of this circular and up to the Latest Practicable Date, the following contract was entered into by the Group not in the ordinary and usual course of business of the Group, which is or may be material:

The capital increase agreement dated 6 September 2023 entered into between the Company, Baowu Group Magang Rail Transit Material Technology Co., Ltd.* ("**Magang Transportation Material**"), a wholly-owned subsidiary of the Company, Eight Strategic Investors (hereinafter defined), and Four Employee Shareholding Platforms (hereinafter defined), pursuant to which, the registered capital of Magang Transportation Material will be increased to RMB2,117,237,941. Baowu Green Carbon Private Investment Fund (Shanghai) Partnership (Limited Partnership)* (寶武綠碳私募投資基金(上海)合夥企業(有限合夥)), Beijing CARS New Material Technology Co., Ltd.* (北京中鐵科新材料技術有限公司), Anhui Jiangdong Industrial Investment Group Company Limited* (安徽江東產業投資集團有限公司), Hubei Zhongjin Ruiwei Equity Investment Fund Partnership (Limited Partnership)* (湖北中金瑞為股權投資基金合夥企業(有限合夥)), Dongrong Yihao (Zhuhai Hengqin) Equity Investment Partnership (Limited Partnership)* (東融壹號(珠海橫琴)股權投資合夥企業(有限合夥)), Dahui Zhisheng (Qingdao) Private Equity Investment Fund Partnership (Limited Partnership)* (大慧智盛(青島)私募股權投資基金合夥企業(有限合夥)), Anhui Guokong Shiyue Emerging Industries Equity Investment Partnership (Limited Partnership)* (安徽國控十月新興產業股權投資合夥企業(有限合夥)), and Advanced Manufacturing Industry Investment Fund Phase II (Limited Partnership)* (先進製造產業投資基金二期(有限合夥)) ("**Eight Strategic Investors**") made a total cash contribution of RMB786 million, subscribed for the new registered capital of RMB529,246,803, whereas the Hangzhou Feilianlun Enterprise Management Partnership (Limited Partnership)* (杭州飛廉輪企業管理合夥企業(有限合夥)), Hangzhou Shenzhoulun Enterprise Management Partnership (Limited Partnership)* (杭州神州輪企業管理合夥企業(有限合夥)), Hangzhou Yaolun Enterprise Management Partnership (Limited Partnership)* (杭州瑤輪企業管理合夥企業(有限合夥)), and Hangzhou Wulun Enterprise Management Partnership (Limited Partnership)* (杭州烏輪企業管理合夥企業(有限合夥)) ("**Four Employee Shareholding Platforms**") made a total cash contribution of RMB151,470,040, subscribed for the new registered capital of RMB101,991,138. For details, please refer to the announcement of the Company dated 6 September 2023.

10. MISCELLANEOUS

(i) The registered office and the principal place of business in the PRC of the Company are at No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

(ii) The Company's H Share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iii) The joint company secretaries of the Company are Ms. He Hongyun and Ms. Chiu Hoi Shan (who is a practising solicitor of the High Court of Hong Kong).

(iv) Unless stated otherwise, in the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on the Stock Exchange's HKEXnews website (www.hkexnews.hk) and the Company's website (www.magang.com.hk) for a period of 14 days commencing from the date of this circular:

(i) the letter from the Independent Board Committee to the Independent Shareholders, the full text of which is set out in page 21 of this circular;

(ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the full text of which is set out on pages 22 to 45 of this circular;

(iii) extract of Valuation Report, the full text of which is set out Appendix V of this circular;

(iv) a copy of the Equity Transfer Agreement;

(v) a copy of the Capital Increase Agreement;

(vi) the written consent referred to in the section headed "8. Expert's Qualification and Consent" of this appendix; and

(vii) the letter referred to in the paragraph "Working Capital" of the appendix III.

* *For identification purposes only*

1. VALUATION SUBJECT AND VALUATION SCOPE

The valuation subject is the total equity value of Maanshan Iron & Steel Limited Company. The valuation scope covers all assets and liabilities of the assessed entity as per its audited financial statements. As of the Valuation Reference Date, the assets within the scope include current assets, long-term equity investments, investment properties, fixed assets, construction in progress, right-of-use assets, intangible assets, and others, while liabilities comprise current liabilities and non-current liabilities. The total carrying value of assets amounts to RMB53,897.7743 million, and the total carrying value of liabilities amounts to RMB43,820.377 million, resulting in a net asset carrying value of RMB10,077.3973 million. (All figures below are denominated in RMB)

The valuation subject and scope are consistent with those involved in the economic transaction. As of the Valuation Reference Date, the carrying values of the assets and liabilities within the valuation scope have been audited by Mazars Certified Public Accountants LLP* (中審眾環會計師事務所(特殊普通合夥)) – Shanghai Branch, which issued an unqualified opinion.

2. VALUATION APPROACH

Income Approach refers to a general term for the valuation approach for determining the value of the valuation subject by capitalising or discounting its expected income. Discounted Cash Flow method (DCF) under the Income Approach can be adopted to assess the enterprise's overall value, thereby indirectly deriving the total equity value of the shareholders. Based on the subject's current operations, business plans, and development strategies, its relevant operations are expected to maintain sustainable profitability in the foreseeable future. Given that the subject possesses a sound basis and conditions for going concern, with quantifiable expected earnings, a predictable earnings period, and measurable risks associated with the discounting process, the Income Approach can therefore be applied for this valuation.

Market Approach refers to a general term for the valuation approach of determining the value of the valuation subject based on the market price of the comparable reference objects by comparing the valuation subject with comparable reference objects. The application of the Market Approach requires the existence of a well-developed, fair, and active open market with sufficient market data, including comparable transaction cases in the public market. However, given the limited availability of comparable transaction cases with similar asset scales, product structures, and competitive landscapes as the valuation subject, as well as the insufficient number of listed comparable companies, the Market Approach is therefore not applicable for this valuation.

Asset-Based Approach refers to the valuation approach of determining the value of the valuation subject based on its balance sheet as of the Valuation Reference Date, assessing both on-balance-sheet and identifiable off-balance-sheet assets and liabilities. Maanshan Iron & Steel Limited Company maintains complete financial records, and each asset and liability can be identified. The value of the subject assets can be determined based on the way of asset reacquisition. Therefore, the Asset-Based Approach is suitable to be adopted for this valuation.

The two valuation approaches consider different perspectives. The Asset-Based Approach focuses on the reacquisition method of assets, reflecting the current reconstruction value of the enterprise's existing assets. In contrast, the Income Approach evaluates enterprise's future earning capacity, representing the comprehensive profitability generated by each of its asset. Currently, the steel industry faces market volatility, insufficient recovery in traditional demand, widening supply-demand imbalances, and declining profitability. The steel industry, as an important basic raw material industry, is also an asset-intensive industry with a long investment cycle. The Income Approach is typically subject to various influencing factors, including macroeconomic conditions, industry policies, and the efficient utilization of assets, thereby carrying a degree of uncertainty. This approach relies on long-term and stable cash flow projections; however, given the long investment cycle in the industry, as well as potential deviations arising from macroeconomic policies, industry trends, and asset utilization efficiency, the Income Approach is not the most suitable valuation approach. Consequently, it has not been adopted for this valuation. The Asset-Based Approach reflects the replacement value of each asset as of the Valuation Reference Date, with construction and acquisition costs demonstrating relative stability, rendering this approach more prudent. As such, the Asset-Based Approach is considered the most suitable and applicable valuation approach for this valuation.

Based on the above analysis, the valuation conclusion in this asset valuation report is derived solely from the results of the Asset-Based Approach.

3. ASSUMPTIONS OF VALUATION

(1) General Assumptions

1. It is assumed that all assets to be evaluated are already in the process of transaction, and the valuers carry out a valuation based on the transaction conditions of the assets to be evaluated by simulating market conditions.

2. It is assumed that the assets being traded (or intended to be traded) in the market involve parties of equal standing, with sufficient access to market information and time. All transaction behaviors are voluntary and rational, with both sides capable of making informed judgments regarding the asset's functionality, purpose, and transaction price.

3. It is assumed that the valuation assets will continue to be used in their current purpose and manner.

4. It is assumed that there will be no material changes in existing laws, regulations, policies, or macroeconomic conditions, nor significant changes in the political, economic, or social environment of the regions where the transacting parties operate.

5. Based on the actual condition of the assets as of the Valuation Reference Date, it is assumed that the enterprise will continue as a going concern.

6. Unless otherwise known, it is assumed that after the Valuation Reference Date, there will be no material changes in interest rates, exchange rates, tax bases and rates, or government-mandated fees affecting the valuation subject and each of its subsidiaries.

7. It is assumed that after the Valuation Reference Date, the management of the valuation subject will remain competent, stable, and capable of fulfilling their roles.

8. Unless otherwise stated, it is assumed that the valuation subject is in full compliance with all applicable laws and regulations.

9. It is assumed that no force majeure events or unforeseeable factors will materially adversely affect the valuation subject after the Valuation Reference Date.

(2) Specific Assumptions

1. It is assumed that the accounting policies to be adopted by the valuation subject after the Valuation Reference Date are basically consistent with those adopted during the preparation of the report in all material aspects.

2. It is assumed that operation scope and business model of the valuation subject is consistent with the current direction on the basis of its existing management model and standards after the Valuation Reference Date.

3. The current valuation does not take into account the impact of mortgages, guarantees, lawsuits, and other matters that may be assumed in the future, as well as the additional price that may be paid by special transaction methods that may affect the valuation conclusion.

The valuation conclusion in this asset valuation report are valid as of the Valuation Reference Date under the stated assumptions. Should any of these assumptions materially change, neither the signing valuer nor this valuation firm shall bear responsibility for deriving different valuation conclusions due to the change of assumptions.

4. VALUATION INPUT PARAMETERS AND CALCULATION METHODOLOGY

The valuation approach is: determining the total equity value as of the Valuation Reference Date by assessing individual assets and liabilities. The calculation formula is: Total equity value of shareholders = sum of individual asset valuations – total liability valuations

1. Current Assets

(1) Monetary funds

The carrying value of the monetary funds was RMB1,000 million, all of which were bank deposits, comprising RMB deposits with Baowu Group Finance Co., Ltd. The bank deposits were valued at the verified carrying value. The assessed value of the monetary funds was RMB1,000 million, with no increase or decrease in value from the valuation.

(2) Accounts receivable

The carrying value of the accounts receivable was RMB1,281.2844 million, comprising receivables made by the valuation subject for energy media, materials and spare parts, and steel products, etc. As at the Valuation Reference Date, a provision for bad debts of RMB38.5374 million had been made in respect of accounts receivable and the net carrying value of accounts receivable was RMB1,242.7470 million. The valuer's determination of expected risk losses for accounts receivable is consistent with the provision made by the certified public accountant and the company's assessment of the recoverability of accounts receivable, therefore the assessed risk loss is determined to be RMB38.5374 million. The provision for bad debts was assessed to be zero in accordance with relevant valuation requirements. After valuation, the assessed value of accounts receivable was RMB1,242.7470 million, with no increase or decrease in value from the valuation.

(3) Prepayments

The carrying value of the prepayments was RMB142.6782 million, comprising prepayments made by the valuation subject for services, fuel fees and other items as stipulated in contracts. Based on verification of the prepayments, the valuers determined the assessed value according to the recoverable value of rights, using the verified carrying value as the assessed value. The assessed value of prepayments was RMB142.6782 million, with no increase or decrease in value from the valuation.

(4) Other receivables

As at the Valuation Reference Date, the book balance of other receivables was RMB713.2615 million, comprising various receivables and temporary payments other than accounts receivable and prepayments made by the valuation subject. As at the Valuation Reference Date, a provision for bad debts of RMB20.1670 million was made for other receivables and the net carrying value of other receivables was RMB693.0945 million. After valuation, the assessed value of other receivables was RMB693.0945 million, with no increase or decrease in value from the valuation.

(5) Goods in transit

As of the Valuation Reference Date, the inventory – goods in transit within the valuation scope mainly consisted of pulverized coal and coking coal purchased by the valuation subject. The carrying value as at the Valuation Reference Date was RMB22.8999 million, with an inventory impairment provision of RMB0.00. The net carrying value was RMB22.8999 million. Since all goods in transit were recently purchased with little fluctuation in market prices, the verified carrying value was adopted as the assessed value. The assessed value of goods in transit was RMB22.8999 million, with no increase or decrease in value from the valuation.

(6) Raw materials

As of the Valuation Reference Date, the inventory – raw materials within the valuation scope mainly consisted of fuel, ores, scrap steel, alloys, and materials/spare parts related to production and operation. The carrying value as at the Valuation Reference Date was RMB2,023.0897 million, with an inventory impairment provision of RMB291.2155 million. The net carrying value was RMB1,731.8742 million. Considering the raw materials are primarily for internal use, the verified carrying value was adopted as the assessed value. After the above valuation, the assessed value of raw materials was RMB1,731.8742 million, with no increase or decrease in value from the valuation.

(7) Products

As of the Valuation Reference Date, the inventory – products within the valuation scope mainly consisted of semi-finished goods and materials consumed in the manufacturing process. The carrying value as at the Valuation Reference Date was RMB1,383.3540 million, with an inventory impairment provision of RMB131.7240 million. The net carrying value was RMB1,251.6301 million. Through on-site verification and inspection, it was found that the company's products are in the process of production that are generally not sold directly to external parties. The assessed value of products was accordingly determined based on the net carrying value after considering the inventory impairment provision. After valuation, the assessed value of products was RMB1,251.6301 million, with no increase or decrease in value from the valuation.

(8) Inventory turnover materials

As of the Valuation Reference Date, the inventory – inventory turnover materials within the valuation scope mainly consisted of various types of rolls, zinc ingots, wash oil, and potassium hydroxide. The carrying value as at the Valuation Reference Date was RMB962.5112 million, with an inventory impairment provision of RMB0.00. The net carrying value was RMB962.5112 million. For roll-type inventory turnover materials, the assessed value of new and in-service rolls was based on the verified net carrying value, as the company amortizes them according to actual usage; the assessed value of mothballed and preserved rolls was calculated by multiplying the replacement cost of new rolls by the newness rate; and the assessed value of scrapped rolls was determined by multiplying the scrap weight by the scrap steel price on the Valuation Reference Date. For other inventory turnover materials, the verified carrying value was adopted as the assessed value. After valuation, the assessed value of inventory turnover materials was RMB964.5506 million, representing an increment of RMB2.0394 million with an appreciation rate of 0.21%.

(9) Finished goods

As of the Valuation Reference Date, the inventory – finished goods within the valuation scope mainly consisted of bar steel, wire rod, hot-rolled steel coils, cold-rolled hard coils, and hot-dip galvanized steel coils. The carrying value as at the Valuation Reference Date was RMB771.9663 million, with an inventory impairment provision of RMB59.5991 million. The net carrying value was RMB712.3672 million. The assessed value was determined by subtracting selling expenses, all applicable taxes, and an appropriate amount of after-tax net profit from the selling price as at the Valuation Reference Date, with the specific valuation formula being: assessed value of normally sold finished goods = selling unit price × 1 – selling expense ratio – sales tax and surcharge ratio – (sales profit margin × income tax rate) – sales profit margin × (1 – income tax rate) × net profit discount rate × verified quantity. After valuation, the assessed value of finished goods was RMB743.7143 million, representing an increment of RMB31.3471 million with an appreciation rate of 4.40%.

2. Long-term Equity Investments

The book balance of long-term equity investments as at the Valuation Reference Date was RMB5,526.5138 million, comprising 15 controlling long-term equity investments and 3 non-controlling long-term equity investments. An impairment provision of RMB0.00 was made for long-term equity investments as at the Valuation Reference Date, and the net carrying value of long-term equity investments was RMB5,526.5138 million.

(1) Wholly-owned and Controlling Long-term Equity Investments

For wholly-owned and controlling long-term equity investments, a comprehensive valuation is performed by first assessing the total equity value of the investee's shareholders, then multiplying it by the proportion of equity held to calculate the partial equity value of the shareholders.

(2) Non-controlling Long-term Equity Investments

For non-controlling long-term equity investments and other equity instrument investments, since the conditions for overall valuation are not met, the valuers, based on the actual situation of the investee, obtain the financial statements of the investee as of the Valuation Reference Date, conduct appropriate analysis of the financial statements of the investee, and determine the value of this type of non-controlling long-term equity investment by multiplying the reasonable net assets of the investee by the shareholding ratio.

The assessed value of the long-term equity investments was RMB8,229.5252 million, representing an increment of RMB2,703.0113 million with an appreciation rate of 48.91%.

3. Investment Properties

The investment properties included into the scope of the valuation consist of a total of 12 industrial plants located within the factory area of Maanshan Iron & Steel Company Limited in Maanshan City with a total gross floor area of 8,705.40 square meters. The carrying value was RMB8.3455 million, with no impairment provision as at the Valuation Reference Date, resulting in a net carrying value of RMB8.3455 million.

Given the properties' characteristics, valuation type, data availability and other relevant conditions, the subject properties for this valuation are industrial plant buildings located within an industrial estate. As the surrounding property market demonstrates limited transaction activity for leasing and sales, the Cost Approach has been selected as the valuation approach.

Assessed value = replacement Cost × composite newness rate

① *Determination of Replacement Cost*

The replacement cost of buildings typically includes construction and installation costs, pre-construction and ancillary expenses, and financing costs. The calculation formula for the replacement cost is as follows:

Replacement cost = construction & installation cost + pre-construction and ancillary expenses + financing costs – deductible VAT

② *Determination of Newness Rate*

The composite newness rate of buildings is influenced by physical depreciation, functional depreciation and economic depreciation. No functional depreciation affecting the subject industrial properties' newness rate was identified after analysis. However, economic depreciation of properties with specialized production lines was confirmed due to the valuation subject's overcapacity situation resulting in poor sales performance and chronically low utilization rates of certain production equipment. Therefore, in this valuation, both physical depreciation and economic depreciation are taken into account for the above-mentioned buildings. The calculation formula for the newness rate is as follows:

Composite newness rate = 1 – physical depreciation rate – economic depreciation rate.

A. Physical Depreciation Rate

The physical depreciation rate of the buildings for this valuation is determined mainly through adopting a combination of the Age-life Method and the Observation Method.

Theoretical newness rate = (economic useful life – years of service)/economic useful life × 100%

The observed newness rate is determined through on-site inspection of key structural components of the subject properties, and involves comprehensive analysis of factors of the assets including design, construction, usage, wear and tear, maintenance, renovation status and physical lifespan. By comparing the current condition of the subject assets with their original new state, we evaluate the functional and operational efficiency impacts caused by usage wear and natural deterioration to determine the physical depreciation rate.

Physical depreciation rate = 1 – (theoretical newness rate × 40% + observed newness rate × 60%)

B. Economic Depreciation Rate

Economic depreciation rate = 1 – (average capacity utilization rate)^x × 100%

x represents the scale efficiency index

The assessed value of investment properties was RMB8.7223 million, representing an increment of RMB376,700 with an appreciation rate of 4.51%.

Investment properties refer to land leased by the valuation subject to external parties. This time, the Market Approach is adopted for the overall valuation of investment properties in intangible assets – land use rights. The valuation approach is detailed in Land Use Rights.

4. Buildings

The building assets included into the scope of the valuation comprise buildings, structures and other auxiliary facilities. The carrying values of the building assets as at the Valuation Reference Date are set out in the table below:

Unit: RMB0,000

Item	Original carrying value	Net carrying value	Provision for impairment	Net carrying amount
Buildings	1,059,252.32	554,096.81	5,145.52	548,951.29
Structures	1,568,924.52	904,270.24	1,681.37	902,588.87
Total	2,628,176.84	1,458,367.06	6,826.89	1,451,540.16

Based on the characteristics of various types of buildings, the types of assessed values, the collection of data and other relevant conditions, the Cost Approach is adopted for valuation. The valuation approach is detailed in Land Use Rights.

The building assets included into the scope of the valuation were mainly built between 1958 and 2025, and are located within the south and north factory areas of Maanshan Iron & Steel Company Limited in Maanshan City. The appraised original value of the buildings was impaired by RMB559.1015 million, representing an impairment rate of 2.13%; the appraised net value was impaired by RMB133.8776 million, representing an impairment rate of 0.92%.

5. Fixed Assets of Equipment

The assets of equipment included into the scope of the valuation comprise machinery and equipment, transportation vehicles, electronic equipment. The carrying values of the assets of equipment as at the Valuation Reference Date are set out in the table below:

Unit: RMB0,000

Item	Original carrying value	Net carrying value	Provision for impairment	Net carrying amount
Total assets of equipment	6,499,600.22	2,403,249.97	11,592.26	2,391,657.71
Fixed assets – machinery and equipment	6,466,788.74	2,397,996.37	11,591.90	2,386,404.46
Fixed assets – vehicles	4,798.28	380.98	0	380.98
Fixed assets – electronic equipment	28,013.20	4,872.63	0.36	4,872.27

Based on the characteristics of various types of equipment, the types of assessed values, the collection of data and other relevant conditions, the Cost Approach is mainly adopted for valuation, and the Second-hand Market Price Approach is used for valuation in some cases.

(1) Cost Approach

Assessed value = replacement cost × newness depreciation rate

① Determination of Replacement Cost

A. For machinery and equipment, replacement cost generally includes purchase price, transportation and miscellaneous expenses, equipment foundation, installation engineering expenses, pre-construction and ancillary expenses, and capitalized financing costs, etc.

Replacement cost of machinery and equipment = purchase price + transportation charges + foundation costs + installation fees + pre-construction expenses + financing costs – deductible VAT

B. For transportation vehicles, the replacement cost is determined based on the latest market quotations available online, incorporating vehicle purchase tax and other relevant charges. The calculation formula for the replacement cost of transportation vehicles is as follows:

Replacement cost = purchase price + purchase price/(1+13%) × 10% + license fee – deductible VAT

Determination of vehicle purchase tax: In accordance with Presidential Order No. 19 of the People's Republic of China, Vehicle Purchase Tax Law of the People's Republic of China* (中華人民共和國主席令第十九號《中華人民共和國車輛購置稅法》)

Vehicle purchase tax = purchase price/(1+13%) × purchase tax rate

C. For various electronic equipment, the replacement cost is determined based on local market information and recent online transaction prices.

D. For equipment with active secondary market transactions, the comparable market prices are directly used as the assessed value.

② Determination of Composite Newness Rate

A. For both specialized and general-purpose machinery and equipment, the composite newness rate is influenced by physical depreciation, functional depreciation, and economic depreciation. No functional depreciation affecting the subject equipment was identified after analysis. However, economic depreciation was confirmed due to overcapacity in certain production lines resulting in low utilization rates of manufacturing equipment. Therefore, in this valuation, considering the physical depreciation and economic depreciation, the calculation formula for the composite newness rate of production equipment is as follows:

Composite newness rate = 1 – physical depreciation rate – economic depreciation rate

Physical depreciation rate = years in service/(years in service + remaining service life) × 100%

Economic depreciation rate = 1 – (average capacity utilization rate)^X × 100% × represents the scale efficiency index

B. For electronic equipment, air conditioning units and other small-sized equipment, the main focus is on determining their remaining service life, and then the composite newness rate is determined according to the following formula:

Composite newness rate = remaining service life/(remaining service life + years in service) × 100%

C. For vehicles, the composite newness rate is mainly determined based on the compulsory vehicle scrapping standards promulgated by the state, the comprehensive renewal rate is determined according to the lower principle of vehicle mileage and service life, the two approaches. The calculation formula is as follows:

The economic life newness rate =(economic service life – used service life)/economic service life) × 100%

The mileage traveled newness rate =(prescribed mileage – mileage traveled)/prescribed mileage × 100%

The composite newness rate =MIN (economic life newness rate, mileage traveled newness rate) + a

a is the survey adjustment coefficient.

(2) Market Approach

The Market Approach refers to the method of selecting a number of transaction cases with similar conditions or the same use value under certain market conditions, comparing them with the subject on the conditions such as the transaction situation, transaction date, and use status, and making corrections and adjustments to the transaction cases, so as to determine the value of the valuation subject.

Comparison price = comparable case transaction price × vehicle model correction factor × price type correction factor × vehicle condition correction factor × appearance newness correction factor × activation date correction factor × mileage traveled correction factor

Vehicle assessed value = (Σ the comparison price of each case) ÷ the number of comparison cases

For vehicles purchased earlier where the same model is difficult to be found in the current market, the Market Approach may be applied by obtaining market value of similar assets through inquiries to second-hand car trading markets.

The assessed original value of equipment-type assets included in the valuation scope was impaired by RMB6,494.7980 million, representing an impairment rate of 9.99%; the assessed net value was impaired by RMB1,106.5958 million, representing an impairment rate of 4.63%.

6. Construction in Progress

The construction in progress included into the scope of the valuation comprises construction in progress – civil engineering, construction in progress – equipment installation and construction in progress – deferred investment. The carrying values of the construction in progress as at the Valuation Reference Date are set out in the table below:

Unit: RMB0,000

Item	Carrying value
Construction in progress – civil engineering	21,371.61
Construction in progress – equipment installation	33,534.98
Construction in progress – deferred investment	6,132.25
Less: Provision for impairment	0.00
Total	61,038.84

The Cost Approach is adopted for the valuation of construction in progress. To avoid double-counting or omission of asset values, and considering the unique characteristics of such projects, the following valuation approaches are applied based on project type and specific circumstances:

(1) Construction in Progress – Civil Engineering & Equipment Installation

For completed projects, the main projects in progress have been transferred to fixed assets, but some expense items have not been transferred, if their value is included in the assessed value of the assets corresponding to the fixed assets, the assessed value of this type of projects in progress is zero.

For construction projects in progress that has been completed and put into normal use but have not been transferred to fixed assets, they shall be evaluated in accordance with the valuation approach for fixed assets.

For construction in progress with a relatively long start date from the base date (with a reasonable construction period exceeding six months), the cost of capital needs to be taken into consideration. In the calculation of capital costs, unreasonable construction periods need to be excluded. If the capital costs have already been accounted for in the relevant accounts of fixed assets, it will not be recalculated.

For pure expense-related ongoing projects, after verifying that the book amount of the construction in progress is correct, the assessed value is determined based on the verified carrying value.

(2) Construction in Progress – Deferred Investment

Upon investigation, the expenses in the construction in progress – deferred investment are the preliminary and other expenses that must occur for the project. No unreasonable expenditures were found, and they were recognized as the assessed value based on the verified carrying value. For construction in progress where the costs of major construction in progress have been transferred to fixed assets for accounting, but some cost items have not been transferred, if their value has been included in the assessed value of the asset corresponding to the fixed asset, the assessed value of such construction in progress is zero.

The assessed value of construction in progress was RMB391.4801 million, representing an impairment of RMB218.9083 million with an impairment rate of 35.86%.

7. Right-of-use Assets

The carrying value of right-of-use assets was RMB312.4033 million, mainly refer to the impact of operating leases on the rights and interests of the leased property enjoyed by the enterprise during the lease term under the new lease standards. For the impact of operating leases, the verified carrying value is taken as the assessed value based on the enterprise's accounting method. The assessed value of the right-of-use assets was RMB312.4033 million, with no increase or decrease in value from the valuation.

8. Land Use Rights

The carrying value of land use rights was RMB1,100.0247 million, involving a total of 48 pieces of land.

In accordance with the Asset Valuation Standards—Real Estate (CAS [2017] No. 38)* (《資產評估準則－不動產》(中評協[2017]38號)) and with reference to the Urban Land Valuation Regulations, commonly adopted valuation approaches include the Market Comparison Approach, Income Capitalization Approach, Residual Approach, Cost Approaching Method, and Benchmark Land Price Coefficient Correction Method, among other things. This valuation selects appropriate valuation approaches based on the development status of the local real estate market, combined with the specific characteristics of the subject land and the purpose of the valuation, primarily considering the following factors:

For allocated land, after investigation, it was found that the local government has not issued benchmark land prices for allocated land, and there are no transaction cases. However, the latest land expropriation documents have been published locally, making the Cost Approach suitable for valuation. For industrial land within controlled industrial zones, since no benchmark land prices have been issued for such zones and no market transaction cases are available (with the land being self-used by enterprises), after consultations with land administration authorities and industry associations, the Cost Approach is adopted for this valuation. For industrial land acquired through transfer (equity investment at valuation) and located within Grade I industrial zones, due to the relatively few transactions in recent years, it is impossible to obtain sufficient transaction cases. However, since the subject land falls within the coverage of the local benchmark land price system and the valuers have obtained a complete set of correction system, the Benchmark Land Price Coefficient Correction Method is deemed applicable for this valuation. For general industrial land, where the transaction market is relatively active and sufficient comparable cases are available (also within benchmark land price coverage), both the Market Comparison Approach and the Benchmark Land Price Coefficient Correction Method are employed for valuation.

(1) Cost Approaching Method

The Cost Approaching Method is a valuation approach that determines land value by summing all expenses incurred in land development, plus reasonable profit, interest, taxes payable, and land ownership gains. Its core principle treats total investments — including land acquisition fee and infrastructure development expenses — as the "base cost". By applying the investment principle in economics that the same amount of funds should obtain the same amount of returns, and adding the corresponding profits and interest that the "basic cost" investment should generate, as well as the land appreciation gains, the price of the land can be obtained.

Land price =(land acquisition fee + land development fee + taxes + interest + profit + land appreciation gains) × land use right term correction coefficient × (1+ factor correction coefficient)

(2) Benchmark Land Price Coefficient Correction Method

The Benchmark Land Price Coefficient Correction Method utilizes the valuation results such as the urban benchmark land price and the benchmark land price correction coefficient table. According to the principle of substitution, it compares the regional conditions and individual conditions of the valuation subject with the average conditions of the region where it is located, and selects the corresponding correction coefficient in accordance with the correction coefficient table to correct the benchmark land price, thereby obtaining the price of the valuation subject on the Valuation Reference Date. The calculation formula for evaluating the subject land price by the Benchmark Land Price Coefficient Correction Method is:

The subject land price to be assessed = benchmark land price $\times$ K1 $\times$ K2 $\times$ K3 $\times$ K5 $\times$ (1+K4) $\pm$ K6

In the formula: K1 – Correction coefficient for the type of use

K2 – Trading date correction coefficient

K3 – Floor area ratio correction coefficient

K4 – Sum of individual factor correction coefficients of 1+Σ

K5 – Land use term correction coefficient

K6 – Development level correction

(3) Market Approach

The Market Comparison Approach is a method used to determine the price of a subject land parcel by comparing the assessed land with similar land transactions that have occurred in a relatively recent period according to the substitution principle, and adjusting the assessed land price of the subject land according to the known price of the latter and the differences of the transaction situation, date, region and individual factors of the land.

Calculation formula of Market Comparison Approach:

$V = VB \times A \times B \times C \times D$

In the formula: V: Subject land price;

VB: Compare case prices;

A: Subject land condition index/Comparative case land condition index

B: Land price index on the valuation date of the subject land/Land price index on the transaction date of the comparative case land

C: Regional factor condition index of the subject land/The regional factor condition index of the comparative case land

D: Individual factor condition index of the subject land/Individual factor condition index of the comparative case land

The assessed value of land use rights was RMB3,815.4492 million, representing an increment of RMB2,715.4245 million with an appreciation rate of 246.85%.

9. Other Intangible Assets

Other intangible assets amounting to RMB148.3175 million represent production capacity indicators, technology-related intangible assets, and software copyrights included in the valuation scope.

(1) Production capacity indicators

The production capacity indicator is the 280,000 tons of special steel production capacity of Baoshan Iron & Steel Co., Ltd.* that Maanshan Iron & Steel Company Limited replaced in 2022. According to the current industrial policy, as the steel production capacity replacement has been halted, this valuation is presented based on carrying value.

(2) Technology-related Intangible Assets

The primary valuation approaches for technology-related intangible assets include the Cost Approach, Market Approach, and Income Approach. For patents and proprietary technologies related to wheel-axles and H-beams, which are the patents of characteristic superior products of enterprise, the patents and proprietary technologies currently put into use are evaluated from the from the perspective of income, and the income approach is adopted. For other patents and proprietary technologies, most of which were developed by the enterprise incrementally during production to enhance specific processes or improve existing production lines, the Cost Approach is adopted for valuation.

① *Cost Approach*

The Cost Approach is a valuation method to assess the value of technical intangible assets by estimating the replacement cost and depreciation rate of technical intangible assets. The cost of technical intangible assets includes all the expenses of materialized labor and live labor during the period of research and development or acquisition and holding.

The basic calculation formula of the Cost Approach is as follows:

Assessed value = replacement cost × (1–depreciation rate)

② *Income Approach*

The Income Approach is a valuation method that determines the value of technology-related intangible assets by forecasting and discounting their future income amount. Analysis shows that for certain production lines (such as H-beams and wheel-axles), both the future income generated by the technology-related intangible assets and their associated risks can be reasonably estimated using appropriate approaches. Therefore, the Income Approach has been adopted for this valuation.

The basic formula of the Income Approach is as follows:

$$V = \sum_{i=1}^{n} \frac{R_i}{(1 + \mathrm{r})^{\mathrm{n}}}$$

In the formula: V – the assessed value of intangible technical assets;

n – Years of Income Approach

Ri – The income amount of technical assets in the future Year i;

r – Discount rate.

(3) Other Intangible Assets – Software Copyrights

There are three valuation approaches for software copyrights: the Cost Approach, Market Approach, and Income Approach.

The pre-requisite of applying Market Approach is the existence of the same or similar transaction cases. However, given the unique characteristics of the intangible assets in this valuation, it is difficult to identify relevant historical transaction cases or pricing data for comparison. Therefore, the Market Approach is not applicable. The pre-requisite of applying Income Approach is that future income can be reasonably predicted and that a stable correlation exists between the assets and operational income. The intangible assets under valuation are in their initial application phase, and the market has not yet been fully developed. As a result, the future income attributable to the software copyrights recorded on the books cannot be reliably segregated from the enterprise's overall cash flows. Thus, the Income Approach is also not applicable. Due to the limitations of the above valuation approaches and considering the specific characteristics of the intangible assets being assessed, the Cost Approach has been adopted for this valuation.

Basic formula:

P= (C1+ C2) × (1-depreciation rate) × proportion of completed development

Among them: P: Replacement cost of the computer software

C1: Development cost of the computer software

C2: Maintenance cost of the computer software

Depreciation rate: service life/economic service life

The cost C1 of computer software development is determined by the workload M of computer software and the cost W per unit workload. Its formula is:

$C1 = M \times W$

Among them: C1 – development cost of the computer software

M – Workload, measured in person-month

W – Cost per unit of work

$C2 = C1 \times \gamma$

In the formula: γ – software maintenance parameter

The assessed value of other intangible assets was RMB389.5079 million, representing an increment of RMB241.1904 million with an appreciation rate of 162.62%.

10. Current Liabilities

(1) Short-term borrowings

The carrying value of the short-term borrowings as at the Valuation Reference Date was RMB11,222.4347 million, comprising borrowings with a maturity of less than one year (inclusive) made by the valuation subject from Baowu Group Finance Co., Ltd., Maanshan Hunan Road Sub-branch of Huishang Bank Corporation Limited, Magang Sub-branch of Industrial and Commercial Bank of China in Maanshan, Maanshan Construction Bank Metallurgical Branch of China Construction Bank and other banks. The short-term borrowings were valued at the verified carrying value. The assessed value of the short-term borrowings was RMB11,222.4347 million, with no increase or decrease in value from the valuation.

(2) Accounts payable

The carrying value of the accounts payable as at the Valuation Reference Date was RMB8,310.8969 million, comprising amounts payable for daily operating activities, mainly including purchase payments for ores, coal, coke, and materials/spare parts, and amounts payable for collaboration fees, service fees and project payments. The accounts payable were valued at the verified carrying value. The assessed value of the accounts payable was RMB8310.8969 million, with no increase or decrease in value from the valuation.

(3) Contract liabilities

The carrying value of the contract liabilities as at the Valuation Reference Date was RMB3,339.6607 million, comprising unsettled amounts for raw fuels, energy media, iron and steel products, and scrap materials. The contract liabilities were valued at the verified carrying value. The assessed value of the contract liabilities was RMB3,339.6607 million, with no increase or decrease in value from the valuation.

(4) Employee remuneration payable

The carrying value of the employee remuneration payable as at the Valuation Reference Date was RMB116.3831 million, comprising the remuneration payable by the valuation subject to its employees in accordance with relevant regulations, including salaries, employees' welfare and employees' education funds, etc. The employee remuneration payable was valued at the verified carrying value. The assessed value of the employee remuneration payable was RMB116.3831 million, with no increase or decrease in value from the valuation.

(5) Other payables

The carrying value of other payables as at the Valuation Reference Date was RMB9,688,113,400, comprising the deduction and payment of party fees, collection and payment of transportation and miscellaneous fees, procurement guarantee deposits, sales guarantee deposits, etc. of the valuation subject. Other payables were valued at the verified carrying value. The assessed value of other payables was RMB9,688,113,400, with no increase or decrease in value from the valuation.

(6) Non-current liabilities due within one year

The carrying value of non-current liabilities due within one year as at the Valuation Reference Date was RMB4,123,199,200, comprising the amounts of borrowings borrowed by the valuation subject from Industrial and Commercial Bank of China Ma'anshan Magang Branch, China Construction Bank Ma'anshan Construction Bank Metallurgical Branch, etc. with a term of more than one year and to be repaid within one year. Current liabilities due within one year were valued at the verified carrying value. The assessed value of non-current liabilities due within one year was RMB4,123,199,200, with no increase or decrease in value from the valuation.

(7) Other current liabilities

The carrying value of other current liabilities as at the Valuation Reference Date was RMB434,155,900, comprising the provision of contract liability output tax by the valuation subject. Other current liabilities were valued at the verified carrying value. The assessed value of other current liabilities was RMB434,155,900, with no increase or decrease in value from the valuation.

11. Non-current liabilities

(1) Long-term borrowings

The carrying value of long-term borrowings as at the Valuation Reference Date was RMB5,568,757,700, comprising the amounts of borrowings borrowed by the valuation subject from Baowu Group Finance Co., Ltd. Ma'anshan Branch, Industrial and Commercial Bank of China Ma'anshan Magang Branch, and Export Import Bank of China Anhui Branch, etc. with a term of more than one year. Long-term borrowings were valued at the verified carrying value. The assessed value of long-term borrowings was RMB5,568,757,700, with no increase or decrease in value from the valuation.

(2) Lease liabilities

The carrying value of lease liabilities as at the Valuation Reference Date was RMB336,820,000, comprising the real estate leased by the valuation subject to the Magang (Group) Holdings Co., Ltd. Asset Management Company. Lease liabilities were valued at the verified carrying value. The assessed value of lease liabilities was RMB336,820,000, with no increase or decrease in value from the valuation.

(3) Deferred income

The carrying value of deferred income as at the Valuation Reference Date was RMB679,955,400, comprising the government grants associated with asset and revenue. The deferred income from revenue-related government grants was valued at zero, and asset-related deferred income was valued based on whether it could be obtained again. For Maanshan Iron & Steel Limited Company, deferred income that could be obtained again was valued at the verified carrying value, while deferred income that could not be obtained under the Maanshan Iron & Steel Limited Company's framework was valued at zero. The assessed value of deferred income was RMB485,254,200, with a decrease in value of RMB194,701,200 or 28.63%.

5. VALUATION CONCLUSION

Based on the Asset-Based Approach and using 28 February 2025, as the Valuation Reference Date, under the premise that all assumptions hold true, the total assets of Maanshan Iron & Steel Limited Company had a carrying value of RMB53,897.7743 million with an assessed value of RMB58,131.7820 million, reflecting an appreciation of RMB4,234.0077 million and an appreciation rate of 7.86%. The total liabilities had a carrying value of RMB43,820.377 million with an assessed value of RMB43,625.6758 million, reflecting a devaluation of RMB194.7012 million and a devaluation rate of 0.44%. The total equity value of shareholders had a carrying value of RMB10,077.3973 million and an assessed value of RMB14,506.1062 million, written formally as RMB FOURTEEN BILLION FIVE HUNDRED SIX MILLION ONE HUNDRED SIX THOUSAND TWO HUNDRED Only). Compared to the owner's equity in standalone financial statement, representing an appreciation of RMB4,428.7089 million, and the appreciation rate is 43.95%.

The specific valuation results under the Asset-Based Approach are detailed in the following Valuation Summary Table:

Valuation Results Summary Table

Unit: RMB 0,000

Item		Carrying Value A	Assessed Value B	Value Change C = B-A	Appreciation Rate % D = C/A × 100
1. Current Assets	1	775,980.23	779,318.88	3,338.65	0.43
2. Non-current Assets	2	4,613,797.20	5,033,859.32	420,062.12	9.10
Including: Long-term Equity Investments	3	552,651.38	822,952.52	270,301.14	48.91
Investment Properties	4	834.56	872.23	37.68	4.51
Fixed Assets	5	3,843,197.87	3,719,150.53	-124,047.34	-3.23
Construction in Progress	6	61,038.84	39,148.01	-21,890.83	-35.86
Intangible Assets	7	124,834.22	420,495.71	295,661.49	236.84
Including: Land Use Rights	8	110,002.47	381,544.92	271,542.45	246.85
Other Non-current Assets	9	31,240.33	31,240.33	0.00	0.00
TOTAL ASSETS	**10**	**5,389,777.43**	**5,813,178.20**	**423,400.77**	**7.86**
3. Current Liabilities	11	3,723,484.38	3,723,484.38	0.00	0.00
4. Non-Current Liabilities	12	658,553.32	639,083.20	-19,470.12	-2.96
Long-term borrowings	13	556,875.77	556,875.77	–	0.00
Lease liabilities	14	33,682.00	33,682.00	–	0.00
Deferred income	15	67,995.54	48,525.42	-19,470.12	-28.63
TOTAL LIABILITIES	**16**	**4,382,037.70**	**4,362,567.58**	**-19,470.12**	**-0.44**
NET ASSETS	**17**	**1,007,739.73**	**1,450,610.62**	**442,870.89**	**43.95**

(1) The appreciation of current assets was mainly due to the consideration of the profit generated by inventory sales, resulting in the appreciation.

(2) The appreciation of long-term equity investment was mainly due to the fact that original investment cost of the subsidiary was based on the carrying value on the Valuation Reference Date, while the appraisal value was the valuation of the subsidiary based on the asset-based method on the Valuation Reference Date, resulting in the appreciation.

(3) The appreciation of investment real estate was due to the fact that the house was mainly built in 2009, and the increase in building materials prices and labor costs on the Valuation Reference Date led to the appreciation.

(4) The impairment of fixed assets was mainly due to the appraised economic life of some equipment and structures being shorter than the accounting depreciation life of the enterprise, and the replacement price of some equipment being lower than the carrying value of the equipment, resulting in the impairment.

(5) The impairment of construction in progress was mainly due to the completed and converted projects being evaluated in the corresponding fixed assets this time, resulting in the impairment.

(6) The appreciation of intangible assets was mainly due to the fact that the company acquired the land earlier, and the continuous rise in land prices in recent years led to the evaluation appreciation; other appreciation came from other intangible assets, including patents, know-how, and software copyrights which was not recorded on the book account but was included in this evaluation, resulting in the appreciation. The Target Company acquired its land use rights primarily between 1993 and 2006. Except for one parcel designated as allocated land (劃撥土地) (provided by the government free of charge or with minimal compensation), the remainder are granted land (出讓土地) (requiring payment of land use right transfer fees to the government). The historical acquisition cost was low, averaging RMB141 per square meter. Economic growth, increased investment, population inflow, and accelerated urbanization have driven demand for housing and infrastructure land. Enhanced infrastructure and supporting facilities have further improved the land's utility and quality, contributing to significant appreciation in land value and, consequently, the substantial increase in the value of intangible assets.

(7) The impairment of non-current liabilities-deferred income was mainly due to the fact that government grants associated with revenue and non-replicable were assessed to zero in this evaluation, resulting in the impairment.

6. VALUATION VALIDITY PERIOD

The valuation conclusion in this asset valuation report shall remain valid for one year from the Valuation Reference Date, i.e., from 28 February 2025, to 27 February 2026. Assets need to be re-evaluated after more than one year.

7. VALUATION INSTITUTION

The institution issuing the valuation report is Beijing China Enterprise Appraisals Co. Ltd.*, a qualified asset appraisal institution in PRC. Beijing China Enterprise Appraisals Co. Ltd.* is an independent third party to the Company and holds no equity interest in any member of the Group, nor does it possess any rights (whether legally enforceable or not) to subscribe for or nominate others to subscribe for securities of any member of the Group. The asset valuers are Liu Chang (劉暢) and Zhang Xiaohui (張曉慧). The 2 asset valuers are professionally qualified with necessary qualification as member of the China Appraisal Society (Asset valuer number are 31180060 and 31130029 respectively).

馬 鞍 山 鋼 鐵 股 份 有 限 公 司

MA STEEL

Maanshan Iron & Steel Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

NOTICE OF 2024 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 annual general meeting (the "**AGM**") of Maanshan Iron & Steel Company Limited (the "**Company**") will be held at the Magang Office Building, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the People's Republic of China (the "**PRC**"), at 1:30 p.m. on Friday, 20 June 2025.

The following resolutions will be considered at the AGM:

ORDINARY RESOLUTIONS

RESOLUTIONS FOR NON-CUMULATIVE VOTING

1. To consider and approve the work report of the board of directors for the year 2024

2. To consider and approve the work report of the supervisory committee for the year 2024

3. To consider and approve the audited financial statements for the year 2024

4. To consider and approve the resolution in relation to the appointment of auditor for the year 2025

5. To consider and approve the profit distribution plan for the year 2024

6. To consider and approve the remuneration of directors, supervisors and senior management of the Company for the year 2024

7. To consider and approve the resolution regarding the introduction of Baoshan Iron & Steel Co., Ltd. to invest in the shares of Maanshan Iron & Steel Limited Company

SPECIAL RESOLUTION

RESOLUTIONS FOR NON-CUMULATIVE VOTING

8. To consider and approve the amendments to the Articles of Association of Maanshan Iron & Steel Company Limited

In addition, the Company's independent directors' work report for the year 2024 will be presented at the meeting.

Meeting details of the AGM will be published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn) and the website of the HKEXnews of The Stock Exchange of Hong Kong Limited (http://www. hkexnews.hk).

By Order of the Board
Maanshan Iron & Steel Company Limited
Jiang Yuxiang
Chairman

20 May 2025
Maanshan City, Anhui Province, the PRC

As at the date of this circular, the directors of the Company include executive directors Jiang Yuxiang, Mao Zhanhong and Zhang Wenyang; and independent non-executive directors Guan Bingchun, He Anrui, Qiu Shengtao and Zeng Xiangfei.

Notes:

I. ELIGIBILITY FOR ATTENDING THE AGM

The Company's register of members for H Shares will be closed from Thursday, 12 June 2025 to Friday, 20 June 2025 (both days inclusive), during which period no transfer of H Shares will be registered. Holders of H Shares who wish to be entitled to attend the AGM must deliver their transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited, the Registrar of H Shares, by no later than 4:30 p.m. on Wednesday, 11 June 2025. The address of the Registrar for the Company's H Shares: Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Share registration date for holders of A Shares will be announced separately.

II. REGISTRATION PROCEDURES FOR ATTENDING THE AGM

1. Holders of H Shares shall deliver their copies of transfers for attending the AGM, share certificates or copies of receipts of share transfer and copies of their own identity cards to the Company by no later than Wednesday, 11 June 2025. If proxies are appointed by Shareholders to attend the AGM, they shall, in addition to the aforementioned documents, deliver the proxy forms and copies of their own identity cards to the Company.

2. Shareholders can deliver the necessary documents for registration to the Company in one of the following ways: in person, by post or by facsimile. Upon receipt of such documents, the Company will complete the registration procedures for attending the AGM.

III. APPOINTING PROXIES

1. A Shareholder who is entitled to attend and vote at the AGM is entitled to appoint in writing one or more proxies (whether being a Shareholder or not) to attend the AGM and vote on his/her/its behalf.

2. The instrument of appointing a proxy must be signed in writing by the appointer or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation must be notarially certified. The notarially certified power of attorney or other documents of authorisation and proxy forms must be delivered to the registered office of the Company or the H Share registrar and transfer office by not less than 24 hours before the time appointed for the holding of the AGM in order for such documents to be valid.

IV. SHAREHOLDERS OR THEIR PROXIES ATTENDING THE AGM SHALL BE RESPONSIBLE FOR THEIR OWN FOOD, ACCOMMODATION AND TRAVEL EXPENSES.

V. CONTACT METHODS OF THE COMPANY

1. Registered address: No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC

2. Postal code: 243003

3. Telephone: 86-555-2888158

4. Fax: 86-555-2887284

5. Contact person: Mr. Xu Yayan, Mr. Li Wei